Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta145
Cyprus .... C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. S£125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan .... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,569 Tuesday June 21 1988 D 8523 A

Indonesia reaps a harvest from the wilds, Page 4

World News

Coup returns Haiti to grip of military rule

HAITI returned to military rule after General Henri Namphy, the former head of the three-man junta, ousted President Leslie Manigat by forcibly taking over the presidential palace. Mr Manigat, the military's candidate in January's elections, was injured in the attack. Page 24

Arms scandal review

US Defence Secretary Frank Carlucci ordered a review of the rules on military procurement in response to the growing Pentagon arms procurement scandal. Page 4

Ex-CIA chief indicted

A US federal grand jury indicted Joseph Fernandez, former CIA station chief in Costa Rica, on conspiracy and other criminal charges stemming from the Iran arms scandal.

Peru bomb attacks

Four people were injured in bomb explosions in Peru set off by the Maoist guerrilla group, Sendero Luminoso (Shining Path), to commemorate the anniversary of the slaying of some 250 rebels during a prison mutiny. Peruvian debt, Page 24

Poland election rebuff

Nearly half the voters ignored Poland's weekend local elections in the biggest electoral rebuff the country's Communist rulers have faced since taking power in 1944. Poland's inflation, Page 2

Sri Lankan shooting

Sri Lankan security forces shot at student demonstrators demanding the release of fellow students, killing a 15-year-old boy and wounding four others. In London, Amnesty International accused the Sri Lankan Government of torture and political killings. It also accused Indian peace-keeping troops of reprisal killings and rape.

European hotline call

East German leader Erich Honecker called for a hotline between East Berlin, Bonn and Prague aimed at preventing military incidents in central Europe. Page 2

Fresh Soviet unrest

Fresh violence was reported in Transcaucasia, Soviet Union, with officials saying 16 people were injured in weekend clashes between Azerbaijanis and Armenians. Dissidents in Moscow said there were 12 deaths.

Bhutto legal victory

Pakistan opposition leader Benazir Bhutto won a legal battle against President Mohammad Zia-ul-Haq when the Supreme Court rejected a law barring her party from contesting elections. Page 4

Namibians strike

Thousands of black Namibians began a two-day general strike, halting production at the territory's diamond and uranium mines. Page 3

African dam meeting

Portugal, Mozambique and South Africa met in Lisbon to discuss ways of reactivating the crippled Cabora Bassa Dam, Africa's biggest hydro-electric plant.

Sikh bomb kills three

Sikh militants fighting for an independence in northern India extended their campaign to New Delhi, killing three people and wounding 30 in a bomb attack.

Mercy killings

One in eight Australian doctors in a study of euthanasia admitted carrying out mercy killings.

Vietnam faces famine

Vietnam is in danger of becoming the Ethiopia of South-East Asia following crop failure, Australian aid experts said.

Business Summary

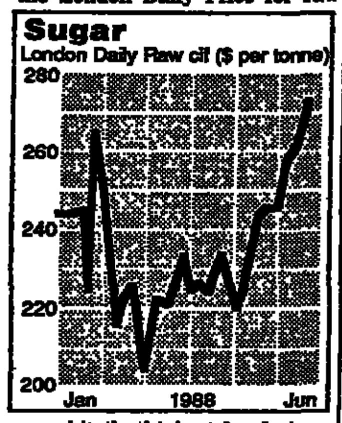
Icahn loses battle to gain control of Texaco

CARL ICAHN, the New York investor, last night conceded defeat in his struggle for control of Texaco when a key stockholder revealed it had voted against his slate of directors at last Friday's annual meeting. Kohlberg Kravis Roberts, the Wall Street investment firm which had the right to vote a crucial 4.9 per cent block of Texaco stock, said that it voted all its 12m shares in favour of board nominees put forward by Texaco's management.

USX, US steel and energy group, is selling the last of its railways, lake ships and river barges to management in a deal worth more than $500m which takes it out of the non-oil transport business. Page 25

KRUPP, West German steel and industrial group, confirmed group net profits slipped to about DM40m ($22.8m) for 1987, from DM126.2m the previous year. Page 28

SUGAR: The run-up in world sugar prices which started on Friday evening continued after the London Daily Price for raw



sugar hit the highest level since August 1983. LDP raw price rose by $14.40 to $272 a tonne, while the price for white sugar added $7 to $271 a tonne. Page 34

LONDON: Trading was quiet as dealers discounted an expected interest rate rise. The FT-SE 100 index fell by 6.1 to close at 1844.0 in poor turnover of 324m shares. Brewer Scottish & Newcastle rose in late trading on renewed bid hopes. Page 42

TOKYO: Concern over a possible rise in the West German official discount rate depressed investor enthusiasm, driving share prices lower for the first time in six sessions. The Nikkei average ended down 203.43 at 28,139.03. Page 46

WALL STREET: The Dow Jones industrial average closed down 20.09 at 2,083.93. Page 46

DOLLAR closed in New York at DM1.800, Y125.27, SFr1.4625 and FFr 5.9355. It closed in London at DM1.7600 (DM1.7530); Y126.20 (Y125.85); SFr1.4625 (SFr1.4570); and FFr5.9300 (FFr5.9100). Page 35

STERLING closed in New York at $1.7852. It closed in London at $1.7845 ($1.7830); DM3.1400 (DM3.1250); Y225.25 (Y224.50); SFr2.6100 (SFr2.5975); and FFr10.5850 (FFr10.5375). Page 35

FOX BROADCASTING, which Rupert Murdoch's News Corporation is attempting to mould into the fourth US television network, expects a loss of $80m for the year ending June 30. Page 25

PLESSEY, UK electronics group, paid £1m ($1.8m) compensation to three directors last year, largely due to the reorganisation which led to the merger of its telecommunications division with that of the General Electric Company. Page 25

NZ FOREST Products, part of Elders Resources of Australia, suffered a 72 per cent drop in net profit for the year to March, to NZ$54.9m (US$39.3m) compared with NZ$198.8m. Page 27

CHICAGO Mercantile Exchange and Reuters, UK-based information group, have agreed to open up to other exchanges their proposed joint automated trading system for financial futures and options. Page 28

TOUGH NEGOTIATIONS EXPECTED IN PARIS CLUB ● MENU OF OPTIONS FOR SUB-SAHARA

Summit seeks to ease debt burden of poorest nations

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN TORONTO

WESTERN industrial nations will today announce a framework agreement to ease the debt burdens of the world's poorest countries, particularly in sub-Saharan Africa.

The accord will be detailed in the final communique of the seven-nation economic summit in Toronto. But it will leave a number of unanswered questions as to the exact shape of the debt relief, which countries will be eligible and the contributions of different western governments.

In a separate development at the three-day summit the Japanese Government put forward a innovative new plan to reschedule the much larger debts of middle income countries. The proposals appeared to mark a shift of emphasis away from the present case-by-case approach to Latin American debtors and drew a cool response from several governments at the summit, including the US.

The outline agreement on sub-Saharan Africa is based on a menu of debt relief options from which creditor governments in the so-called Paris Club could choose in recheduling the debts of the poorest nations.

The three main options are longer rescheduling periods, the write-off of part of the debts and interest rate subsidies. An Italian suggestion that government subsidies be given to encourage further commercial bank lending may also be included.

Mr Nigel Lawson, Britain's Chancellor of the Exchequer, said that the accord was "immensely important and immensely significant" for the poorest nations. Mr Lawson first proposed an initiative on similar lines in the spring of 1987.

Senior officials involved in negotiating the details, however, said that there remained a number of difficult outstanding issues which would require tough negotiations in the Paris Club.

In particular, the US has made it clear that the most it will do is offer longer recheduling periods. Officials from other delegations suggested that it would be difficult in those circumstances to achieve equal "burden-sharing" between creditors as loan write-offs and interest rate concessions were considerably more costly.

Mr Lawson said that the US would not be offering as much as most others would like, although he still hoped for "rough equivalence between the efforts of the various creditors."

It was also unclear which countries would qualify for the concessions. British officials referred to 17 countries in sub-Saharan Africa which had already adopted adjustment programmes and a further 15 in the same region which would be potentially eligible.

Those 32 countries owed a total of $43bn to Western governments, but the summit proposals focused on the $15bn owed to export credit agencies.

Japan and the US, however, suggested that other countries, ranging from Cambodia and Burma to Bolivia and Haiti, might be brought into the negotations, a factor which is likely to further complicate detailed work in Paris.

The Tokyo Government's plan for middle income debtors, which was sent to other summit participants late last week, involves a complicated series of moves to make available to debtor countries some of the secondary market discount on third world debt.

It would involve the securitisation of part of the debt and a rescheduling arrangement with commercial banks for the remainder, with the International Monetary Fund playing a co-ordinating role.

The debtor countries would deposit part of their foreign currency reserves with the IMF which would guarantee debt service payments to the commercial banks on the rescheduled debt.

Japanese officials emphasised that it would not involve a transfer of risk from commercial banks to the IMF, but the US is understood to see the proposals as a potential threat to the case by case approach.

Officials said there was also concern that the prospect of a more generalised approach to the debt problem might undermine current rescheduling negotiations with countries such as Brazil.

More summit news, Page 8

Japan and US sign food trade accord

Japan and the US yesterday signed an agreement aimed at liberalising food imports into Japan. The accord, covering beef and oranges, was being viewed in Tokyo as a breakthrough, even though Japan had secured significant concessions on the length of time for the agreement to be implemented. Page 24

Tougher stance on drugs, terrorism

BY STEWART FLEMING AND DAVID OWEN IN TORONTO

THE LEADERS OF the big industrial countries at the economic summit yesterday issued a political statement calling for a toughening stance against drug trafficking and terrorism.

On the subject of airline hijacking, the statement also applauded a decision last Friday by the International Civil Aviation Organisation endorsing the principle that hijacked aircraft should not be allowed to take off after they have landed.

The United States endorses that course of action and had hoped to get the summit nations to commit themselves to such a course of action. The statement appeared to fall short of a clear-cut no-takeoff commitment.

On international narcotics trafficking, another area where action was pressed by Washington, the statement pledged additional, but not specific, government cooperation "in particular to trace, freeze and confiscate the proceeds of drug-traffickers, and to curb money laundering."

It said the summit partners supported a U.S. proposal to create a special task force to coordinate the anti-drugs fight. It gave no further details.

The leaders also issued a verbal plea for clemency on behalf of the "Sharpeville Six", the black activists sentenced to death by the South African Government.

The statement welcomed the improvement in East-West relations over the past few years, attributing it to both Western determination to stick to policies it had adopted towards Moscow and to the changes in Soviet foreign policy under Mr Mikhail Gorbachev, the Soviet leader.

The political statement was released during the second day of a summit in which efforts by officials to submerge differences, in part to try and maintain confidence in the world's financial markets, have so far been successful.

Mr Marlin Fitzwater, the White House spokesman, said the heads of state were "very concerned" about the drug problem, adding that it "clearly has financial and foreign policy implications."

Officials said that a valedictory mood pervaded the first dinner on Sunday night among the heads of government at what will be President Reagan's last economic summit. Mr Reagan opened the dinner by reporting on the outcome of his meeting earlier this month with Mr Gorbachev in Moscow.

There was a "sense of occasion" at the meeting, officials said, adding that at the end of Mr Reagan's presentation Mrs Margaret Thatcher, the British Prime Minister, moved swiftly to endorse his stance.

Despite the efforts to play down disagreements, some European officials here expressed concern about the unresolved economic imbalances between the big industrial countries and about the potential for disagreement on agricultural issues.

One official said that European governments were hoping that the Federal Reserve and the Administration would resist the temptation for the US to inflate its way out of the problem posed by its huge external debt.

Another questioned US commitment to easing the world's agricultural trade problems, saying "the US is increasing its protectionism" in this area.

The statement on East-West relations broadly endorsed well-established Western positions on arms control and human rights issues.

Officials said that the question of East-West trade and financial relationships was discussed by the heads of government. The statement on East-West relations commented positively on commercial ties but added that these needed to evolve "with commercial prudence and without damaging Western security interests", one official said.

UK insurer wins control of NZI with purchase of Brierley stake

BY NICK BUNKER IN LONDON

GENERAL ACCIDENT, the composite insurer headquartered in the Scottish Highlands, has taken control of New Zealand-based NZI, the insurance and banking group, after emerging as the highest bidder in an auction for the 38 per cent stake in NZI owned by Sir Ron Brierley's Brierley Investments Ltd.

Perthshire-based GA is to acquire 51 per cent of NZI altogether, in a friendly deal which it says will give it an important strategic presence in the Pacific Basin.

GA says the acquisition will give it better balance in its worldwide insurance operations. With 1987 total non-life premiums of £2.17bn ($3.9bn), GA is one of the five biggest British composite insurers.

The news came as a relief to the London stock market, which had feared that GA would bid for 100 per cent, which might have required a rights issue.

Mr Ian Menzies, a GA general manager, said the stock market failed to understand that under New Zealand takeover rules the group was not obliged to bid for the remaining 49 per cent. GA has no present intention to move above 51 per cent.

The Scottish group's shares slipped a net 22p to close at 895p, partly because they went ex-dividend and partly because stockbrokers' analysts are unenthusiastic about the difficult Australasian insurance market.

NZI made after-tax earnings of only NZ$59.4m ($41.5m) in the year ending March 31 1988, reflecting the severe impact of last October's crash on the local stock market in New Zealand.

Of its 1987-88 gross revenues of NZ$2.25bn, NZ$797m came from non-life insurance, NZ$271.6m from life business, and NZ$853.8m from banking. It has 4 per cent of the Australian non-life insurance market, and 20 per cent of that of New Zealand.

The Scottish group will finance the £264m payment to BIL with £116m in cash. A further £148m will be financed with the proceeds of a vendor placing of new shares at 850p each, underwritten by J. Henry Schroder Wagg, the merchant bank.

GA will then sell its own branch operations in Australasia and the Pacific Basin area to NZI, in exchange for NZI shares. On top of that, GA will then subscribe for NZ$59.75 for further NZI shares, to bring it to the total holding of 51 per cent.

The combined effect will be to limit the dilution of GA's 1988 earnings to about one per cent, Mr Menzies said.

Many observers were surpirsed that GA, for the past 20 years one of the most inert financial institutions in Britain, had targetted NZI. The latter, the fifth largest company on the New Zealand Stock Exchange, with a capitalisation of NZ$1.57bn ($1.1bn) projects an image of being one of Australasia's most dynamic financial services enterprises.

Eyebrows have also been raised because NZI has a bias towards banking, and activity which seems to sit uneasily with the heavily non-life insurance-based culture of GA. In addition it is surprising that GA feels happy about deepening its exposure to the Australian non-life insurance market – "an historic graveyard of UK insurers", as one analyst said.

Lex, Page 24; Background, Page 30

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BRAVE NEW WORLD OF PERUVIAN RECOVERY SHATTERED

President Alan Garcia's role of the national saviour has been suddenly punctured, Page 24

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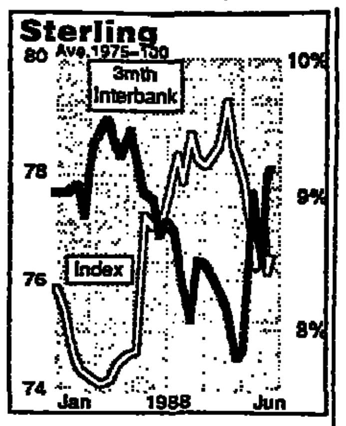


Bundesbank set to raise rates

By Our Economics and Foreign Staff

THE WEST GERMAN central bank appears set to raise official interest rates. The country's partners in the Group of Seven major industrialised countries gave guarded approval to the move in Toronto yesterday.

West German Government officials said in Toronto they had been told by the Bundesbank that it intended to raise the interest rate on its securities repurchase agreements, a method of commercial bank finance.

The "repo" rate has stood at 3¼ per cent since November and the next repurchase agreement will re-negotiated today when the rate is expected to rise to 3½ per cent.

However, there was clear pressure on Bonn to ensure that it did not mark the start of a progressive "ratcheting up" of borrowing costs. Senior officials said that during private discussions among finance ministers both West Germany and Japan had been warned of the potentially destabilising effects on financial markets of a general increase in rates.

US officials said, however, they regarded a modest rise in rates as consistent with West Germany's obligations within the G7 nations. They pointed out that the US had tightened its monetary policy on three occasions in recent months, significantly widening the interest rate differential between the two countries.

Mr Gerhard Stoltenberg, West Germany's finance minister, was said to have indicated that the Bundesbank's action represented only a minor tightening of policy rather than the start of a new trend.

The finance ministers yesterday finalised an optimistic assessment of the world economic outlook which will form the basis of today's final summit communique.

US officials indicated that the communique would include the adoption by the Seven of two indices of commodity prices as guide to inflationary trends in

Continued on Page 24

China seeks foreign help in fight against corruption

By Robert Thomson in Peking

THE CHINESE Government is to launch a crackdown on corrupt officials, particularly in state trade and company offices in Hong Kong and foreign countries, following a sharp rise in cases of bribery.

Foreign business people are to be encouraged to report corrupt cadres, who have been known to ask for trips abroad, for money to be deposited in Hong Kong bank accounts, or for the foreign company to sponsor their children for foreign universities before agreeing to sign contracts.

The Government has been investigating corruption among the country's growing number of offices in Hong Kong, and a spokesman for the Ministry of Supervision, Mr Peng Jilong, was reported as saying that a new set of regulations on corruption would include special provisions for employees in Hong Kong and other overseas offices.

Mr Peng said the new law, the "regulations on administrative punishment of corruption and bribery by state functionaries", would be promulgated in the next few days to "combat the increase in negative and unhealthy phenomena."

The rise in corruption has tarnished the image of China's ambitious reform programme. It has been criticised in protest posters plastered around Peking University in recent days by students who are angry at having to compete in a system which runs on "cartons of cigarettes and cash bribes," as one poster put it.

Foreign business people have reported that incidents of corruption, large and small, have become more common in the past two years. They range from demands for cash to assistance in importing equipment which a Chinese enterprise wants but is prohibited from purchasing and that is unrelated to the contract under discussion.

Mr Peng said that courts have been "excessively lenient" to offenders in recent years, and "this situation must be changed."

He said the ministry was processing complaints from foreign concerns and would like more companies to report illegal activities: "This is an important way of finding out about the problems and offenders."

Hong Kong dilemma, Page 22

Romanian police persecute emigrants' families as strikers sent to salt mines

BY JUDY DEMPSEY IN VIENNA

ROMANIAN police are intimidating the families of people who have fled to Hungary, according to reports from Romania.

It is also understood that many workers who went on strike at the Brasov tractor factory in Romania last November have been sacked, while others have been sent to work in salt mines.

The intimidation comes as growing numbers of Romanian citizens have sought asylum in neighbouring Hungary over the past year, many of them from the ethnic Hungarian minority in Transylvania.

Of the 10,000 or so now seeking refuge in Hungary, several thousand have applied for residence and work permits.

Most left Romania because of deteriorating economic conditions and repressive policies, including the forcible assimilation of the 1.7m Hungarian minority.

In recent weeks, reports from Romania say that the refugees' families and relatives are being persecuted and threatened with loss of their jobs to discourage others from emigrating.

President Nicolae Ceausescu, the Romanian party leader, this year described the emigrants as "unpatriotic black sheep".

His uncompromising dismal approach to human rights was recently confirmed when he instructed his two ambassadors attending a meeting of the Conference on Security and Co-operation in Europe (CSCE) not to sign any document which would relax emigration procedures. The imprisonment, apparently under very harsh conditions, of strikers from Brasov suggests no improvement in other aspects of human rights.

The fate of the language and culture of the Hungarian minority suffered another setback last May after Mr Ceausescu unveiled plans to "modernise" 7,000 villages. The plan, which is to be fulfilled by the year 2000, involves destroying small villages which are inhabited by ethnic German and Hungarian settlers as well as Romanians.

During a meeting of the National Council of the Working People and the National Council of Agriculture on June 2, Mr Ceausescu said such a plan "would eliminate essential differences between villages and towns, increasingly draw working, living and cultural conditions in villages and towns closer to each other and create the necessary prerequisites for a homogenous society".

The Hungarian media have sharply criticised Mr Ceausescu's plan on the grounds that all traces of national character will be destroyed.

"Together with the nationality villages, their houses, carved fences, graveyards, churches and bell-towers will disappear, which for centuries have preserved the national character of these settlements," Hungarian television reported. "Once the bulldozers swallow up the villages, who will be able to say that once there was a Hungarian architectural culture on this soil?" it added.

The Association of Hungarian Architects has appealed to architects around the world to protest. Next week Hungarians plan to demonstrate in Budapest against the "modernisation" plans.

Limits set to jobs held by French politicians

By George Graham in Paris

PRESIDENT François Mitterrand may have failed in his declared intention to create a solid governing majority through the legislative elections completed 10 days ago, but by triggering an early election he may have started a far-more deep-rooted change in the structures of French politics.

For the election brings into effect a law which was brought in under Mr Mitterrand's last Socialist government in 1985 limiting the number of elective offices which may be held by the same person.

The *cumul des mandats*, a time-honoured system which allowed French politicians to be mayor, member of Parliament, regional and departmental counsellor at one and the same time, had come in for criticism on the grounds that it prevented them from devoting enough of their attention to any of their offices.

The 1985 law stops members of the National Assembly from holding more than one other major elected office. Although they are not obliged to comply immediately, each election compels them to shed one more post.

The effect of the law on some of France's political baronies may be considerable. Mr Jacques Chaban-Delmas, the former Gaullist Prime Minister, has had to resign the presidency of the Aquitaine regional council in order to hang on to his parliamentary seat and his position as mayor of Bordeaux.

Mr Dominique Baudis, the centrist mayor of the south-western city of Toulouse, has had to drop not only the chairmanship of the Midi-Pyrenees regional council but also his seat in the European Parliament at Strasbourg.

Mr Valéry Giscard d'Estaing, the former President, is able to retain the chairmanship of the Auvergne regional council – he does not have the rival temptation of being mayor of a big city – but has had to resign as departmental councillor.

Even more delicate may be the political balance in the Ile de France region around Paris. Mr Michel Giraud, the right-wing member of Parliament for Val de Marne, might have been expected to resign as mayor of Perreux in order to keep the presidency of the regional council – no pygmy, with its annual budget of more than FFr6bn (£570m).

But Mr Giraud is also chairman of the Association of French Mayors, and his RPR party is not at all keen for him to relinquish this substantial position, as he would have to do if he were no longer a mayor.

To complicate matters further, the RPR and its UDF allies hold only 45 per cent of the seats in the Ile de France regional assembly, with the balance held by the ultra-right National Front, which holds no personal affection for Mr Giraud.

In a finely balanced compromise, Mr Giraud is expected to take temporary leave of the Perreux town hall in order to gain time to prepare for the election to the regional council, an important body in which Prime Minister Michel Rocard also sits.

The law against the *cumul des mandats* has not yet had its full effect, but it may already have struck a blow at some of the powerful regional political machines. Future elections will bring it to bear against an even wider range of offices.

Soaring wage rises bring problems for Jaruzelski

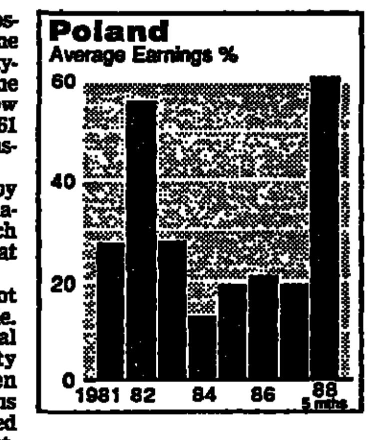
BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH authorities face the prospect in the second half of the year of shelves in shops emptying as economic results for the first five months of the year show incomes rising at the rate of 61 per cent – about 10 per cent faster than prices.

In May alone incomes grew by 75 per cent, reflecting the inflationary wage settlements which doused Poland's strike wave at the beginning of the month.

The gloomy outlook is not likely to improve public morale. On Sunday Poles sent General Wojciech Jaruzelski, the party leader, a warning signal when absenteeism at the local elections climbed to an officially-admitted 44 per cent, the worst any Soviet-style government has reported since the war.

At the weekend too, the conference of Polish bishops stepped up the pressure for political changes by calling for the right of association to be respected and specifically demanded trade union pluralism – a concession the authorities are resisting for fear of a return of the banned trade union Solidarity.



Officials confirmed on Friday that the Government has decided not to raise food prices again this year for fear of renewed mass industrial unrest.

Economists, however, are arguing that as incomes are growing much faster than planned, the 40 per cent food price rise last February is now too small to stand a chance of reducing demand to match never too ample supplies.

At the same time, thanks to support from Gen Jaruzelski, the farming lobby, which includes the Peasant Party, has won food state procurement price increases averaging 14.5 per cent in the face of opposition from the Government's economic managers.

Officials argued that if prices in the shops were not to rise then the increase, costing the budget 195bn zlotys ($454m) would have to be financed by spending cuts or increased taxes, or most likely a growth in the budget deficit.

The decision, which should mean that farmers' incomes will grow by 70 per cent this year, was taken against the background of fears for this year's grain harvest. As a result of low rainfall it could be 3m tonnes lower than last year's 26m tonne record.

At the same time, while industrial output for the first five months of the year is growing by 6.5 per cent, production in the market-oriented sectors is falling behind output destined for industry, thereby putting more pressure on the situation in the shops.

Strasbourg agrees to EC reforms

By William Dawkins in Luxembourg

THE SWEEPING reforms to the European Community budget agreed last February by EC leaders have cleared their final institutional hurdle.

Member states yesterday shook hands with the European Parliament over last-minute changes to the package demanded by members of the Strasbourg Assembly. The deal, signed by Community Foreign Ministers and Lord Plumb, the President of the Parliament, brings an end to four months of detailed negotiations on implementing the package and ensures that next week's summit of EC leaders will be unencumbered by wrangles over Community finances.

Lord Plumb said: "It will be one of the very few summits in recent history where we will be able to look forward rather than back." Mrs Irmgard Adam Schwätzer, the West German minister chairing the meeting, added: "This paves the way for the development of the internal market."

The changes made to the package were minor, giving MEPs slightly more say in setting the top rate for national budget contributions and in monitoring regional policy. Yesterday's accord will be rubber-stamped at another ministerial meeting at the end of the week. National contributions to the EC budget will have to be cleared by national parliaments.

EC to liberalise road haulage

BY WILLIAM DAWKINS IN LUXEMBOURG

ROAD haulage businesses throughout the European Community were yesterday guaranteed the freedom to carry as many loads as they like anywhere in the EC as from January 1 1993.

The decision, reached by Community transport ministers, is a breakthrough for hauliers, because it brings to an end the complex web of country-to-country and EC licences that govern more than half of their trade. Such restrictions force roughly one in three trucks travelling between member states to go empty, European Commission officials estimate.

The first step takes place on July 1, when the number of EC quotas will be increased by 40 per cent, followed by another 40 per cent rise the following year. What happens to EC quotas after 1989 will be settled later.

The final stage takes place by mid 1991, when member states will agree "necessary measures" to scrap all restrictions by the January 1 1993 deadline. That refers to the introduction of an EC-wide truck drivers' licence, details of which are to be drawn up by the Commission, and which would give hauliers freedom to trade on condition that they are professionally sound.

Yesterday's accord brings to an end an increasingly fraught two-year wrangle between member states, and represents a significant climbdown by West Germany, whose Transport Minister, Mr Jurgen Warnke, was chairing yesterday's session.

Bonn was until late last week the only member state unable to give a binding promise to scrap restrictions, a reflection of pressure from a politically influential domestic haulage industry.

Mr Warnke was insisting that liberalisation should go together with moves to ensure all member states set the same rules on lorry road tax and drivers' working conditions so that companies in tightly regulated and highly taxed countries – like his own – would not lose market share to less controlled operators.

National officials were surprised by Bonn's change of tack, given that an EC drivers' licence falls well short of its demands for wider measures to bring equal regulation to different road haulage industries. However, member states are working on proposals to harmonise tax and working conditions. Only yesterday, they agreed to clamp down on haulage companies that ignore EC safety limits on drivers' hours.

Computer sector 'poised for big change'

BY ALAN CANE IN PARIS

THE COMPUTER industry is on the verge of the biggest changes for 30 years and companies which fail to adapt are doomed, a world gathering of information technology experts heard yesterday in Paris.

Mr Jacques Stern, chairman of the French computer manufacturer Groupe Bull, told the sixth World Computing Services Industry Congress that the structure of the industry had altered fundamentally, with distinctions between categories of computing service supplier blurred.

In the past, companies had dealt with their suppliers and their customers by negotiation; in future they would work together as partners.

The computing services industry comprises a diverse group of companies which write computer software, run computer bureaux, maintain computers and provide consultancy and training.

Technology was at the heart of economic trends which would render today's mainframe and mini-computers obsolete in 10 years, Mr William Zachman, senior vice president for the International Data Corporation (IDC), told the congress.

Systems based on high-performance micro-computers and computer networks offered computing performance at a hundredth of the price of conventional mainframe systems.

He noted that software companies which had concentrated on developing software for micro-computer-based systems were already showing better market performance than those writing for mainframes. Manufacturers which failed to take account of these changes were doomed to failure, he said.

Brussels told to speed up shipping crisis plans

By William Dawkins in Luxembourg

EUROPEAN Community governments yesterday asked the Brussels authorities to draft emergency plans by the end of the year to tackle the crisis in the EC's shipping fleet.

A meeting of the Community's transport ministers voiced impatience that the Commission had not yet come up with firm proposals to assist an industry that has lost 114,000 jobs since 1980 and has the most outdated vessels in the world. Brussels is to produce draft ideas by the end of July, with a detailed action plan by December.

Like its competitors, the EC fleet suffers from overcapacity and falling freight rates, yet it is shrinking four times faster than the world fleet, EC officials estimate. The EC fleet has fallen from 11,000 vessels to 7,000 since 1980.

Brussels promised to start work on so-called positive measures when member states agreed 18 months ago to liberalise most of the industry, but has so far produced only a slim outline plan. Progress has been held up by deadlock over the final stage of shipping liberalisation, the scrapping of national restrictions on lines' ability to offer coastal services in another member state.

"Our fleets have lost their technological lead and with it their reputation for a higher quality service which has in the past enabled them to meet competition," said Mr Stanley Clinton Davis, European Transport Commissioner, who attributed this to high costs and lack of investment in new vessels. The EC's share of container traffic, one of the few growth areas in world shipping, had slipped from 36 per cent five years ago to 28 per cent in 1987.

Brussels already allows national aid, of up to 28 per cent of contract cost, to be paid to shipbuilders, but has very little direct assistance for ship operators.

The proposals it has floated so far include corporation tax cuts for shipping companies, social measures, including mutual recognition of maritime qualifications, technology and research aid, the creation of a single European flag to try to reverse the growing tendency to register ships under less regulated regimes, and encouragement to scrap overcapacity, now running at 20 per cent of EC tonnage.

UK ports warning, Page 7

Athens reshuffle

Greek Prime Minister Andreas Papandreou will reshuffle his Socialist cabinet within the week, Reuter reports from Athens.

Political sources said the reshuffle was linked to Greece's assumption of the EC presidency on July 1. Mr Papandreou's son George is expected to become Minister to the Prime Minister's office.

Turkish ruling party tilts to Islamic right

BY JIM BODGENER IN ANKARA

MR TURGUT OZAL, Turkey's Prime Minister, might have been expected to benefit from a wave of sympathy in the wake of the assassination attempt on Saturday. But the annual congress of the ruling Motherland Party (Anap) has none the less tilted the party executive firmly towards its Islamic right wing and away from its liberals.

Mr Ozal, who has had Islamic conservative sympathies in the past, was returned unopposed as party chairman by the congress, although with Mr Mehmet Kececiler, the Islamic leader, as his deputy. Analysts say that Mr Ozal's pivotal position in Anap has been strengthened by the assassination attempt, however.

So far Mr Ozal's assailant, Mr Kartal Demirag, has revealed little about his motives and whether he had accomplices. However, strong speculation that the attack was organised by a right-wing conspiracy has not been disproven either.

An alliance, dubbed "holy" by the Turkish press, between nationalists and Islamic conservatives surged ahead during voting for the party executive, replacing three government ministers, one a former party chairman, and two other prominent liberals. This had been predictable since Mr Kececiler and Mr Mustafa Taser, the nationalist head, gathered up most of the grassroots congresses in the spring.

So far, it is too early to tell what effect the holy alliance's victory will have on Anap's general policies, still broadly pragmatic and dominated by an IMF-style structural adjustment approach to the economy, say observers in Ankara.

Turgut Ozal: position strengthened

Clearly there are areas where it will have an impact, such as Mr Ozal's unannounced but widely hinted intention to run for the presidency when President Evren steps down. With no visible successor to Mr Ozal yet, Mr Kececiler might then be in a very strong position to replace him.

There are fears that with Turks suffering from high inflation, the assassination attempt along with recent bomb attacks by left-wingers in Istanbul could presage a descent into the anarchy that prompted the 1980 military intervention and three years of military rule. However, so far the military has shown no sign of moving from its barracks.

● Turkey and the Soviet Union signed an agreement yesterday to open a third crossing on their 610km border at the divided village of Sarp in the Black Sea province of Artvin.

W European new-car sales rise by 4.3%

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

NEW car sales in West Europe rose by an estimated 4.3 per cent in May, recovering from the dip in April and fuelling industry hopes that sales could set a new record this year for the third successive year.

Despite weakening demand in West Germany, sales continued to grow strongly in May in other key volume markets – France, the UK and Spain – as well in most of the smaller European markets.

Overall new car registrations in West Europe rose by 4.3 per cent to 1.17m units in May. For the first five months, sales were 5.4 per cent higher at 5.72m units, according to industry estimates.

The Motor Industry Research Unit of the University of East Anglia has forecast sales of 12.43m for the whole of 1988 in the 16 West European car markets. But it suggests in its latest market analysis that sales will fall back to about 11.8-12m in 1989 before expanding again in the the early 1990s.

In West Germany, the biggest single car market in West Europe, new car sales are estimated to have fallen by some 3.7 per cent in May, but in France and Spain demand recovered from slight falls in April with jumps last month in France of 18 per cent and in Spain of 13.3 per cent.

The prolonged boom in car sales continued in the UK with an increase of 10.8 per cent, while sales in Italy were 1.4 per cent higher in May, although sales for the first five months in Italy are still 8.5 per cent ahead of the corresponding period a year ago.

Fiat of Italy is still the market leader after five months with a share of 15.5 per cent, but West Germany's Volkswagen group has closed the gap with its share overall rising to 14.4 per cent.

In April and May alone, Volkswagen, which includes Audi and Seat, emerged again as market leader – in May it held 15.2 per cent compared with Fiat's 14.8 per cent – but it still has a long way to go to overhaul the lead established by Fiat in the first quarter.

WEST EUROPEAN NEW CAR REGISTRATIONS
January - May 1988

	Volume	% Change	Share (%) Jan-May	Share (%) Jan-May 87
Total market	5,720,000	+5.4	100.0	100.0
Fiat (incl.Lancia & Alfa Romeo)	888,000	+8.5	15.5	15.1
Volkswagen (incl. Audi & Seat	821,000	+2.8	14.4	14.7
Peugeot (incl. Citroen)	728,000	+15.3	12.7	11.7
Ford	657,000	+1.8	11.5	11.9
General Motors (Opel, Vauxhall)	610,000	+1.6	10.7	11.1
Renault	583,000	+3.5	10.2	10.4
Mercedes-Benz	202,000	+6.8	3.5	3.5
Austin Rover	192,000	+3.5	3.4	3.4
Nissan	160,000	+10.6	2.8	2.7
Toyota	149,000	+1.6	2.6	2.7
BMW	147,000	+12.2	2.6	2.4
Volvo	121,000	-1.0	2.1	2.2
Japanese makes	628,000	+6.2	11.0	10.9
West Germany	1,216,000	-1.3	21.2	22.7
Italy	1,025,000	+8.5	17.9	17.4
United Kingdom	936,000	+10.4	16.3	15.6
France	911,000	+8.0	15.9	15.6
Spain	435,000	+14.7	7.6	6.9

Source: industry estimates

Peugeot, the French automotive group which includes Citroen, is enjoying the most successful year of any of the big volume car makers.

In the first five months of the year, it has increased the volume of its sales in West Europe by 15.3 per cent to 728,879 units, and in May alone its sales volume was 21.8 per cent higher than a year ago.

The smallest gains among the big six European volume car makers have been made by Ford and General Motors (Opel and Vauxhall) with volume increases in the first five months of only 1.8 and 1.6 per cent respectively.

In May, Ford's sales dropped by an estimated 4.2 per cent, while GM's were virtually unchanged.

Among the executive and luxury car makers, Volvo of Sweden has lost ground with a 1 per cent fall in sales volume in the first five months, while BMW has increased sales by 12.2 per cent and Mercedes Benz sales have risen by 6.8 per cent.

Volvo has come under heavy pressure in its home market from Japanese car makers, who have increased their sales in Sweden this year by 45 per cent, capturing nearly 25 per cent of the Swedish new car market compared with under 20 per cent a year ago.

Overall, Japanese car makers held 11 per cent of the West European car market in the first five months of the year.

Honecker urges European hotline

EAST GERMAN leader Erich Honecker yesterday called for the setting up of a Central European East-West body to prevent military incidents and for a hotline between East Berlin, Bonn and Prague, Reuter reports from East Berlin.

Speaking at the opening of a three-day meeting on nuclear weapons-free zones, he said his country would welcome machinery for peaceful crisis management and for the prevention of military incidents in Central Europe.

"These could include, for instance, a hotline between Prague, [East] Berlin and Bonn, a standing joint body set up with this aim in mind, an exchange of data on relevant military activities in the region – in other words, a centre of permanent confidence-building equipped with the requisite technical means," he said.

Forty years on, the Cold War attitudes of the Berlin airlift seem arcane to the young, writes **Leslie Colitt**

Battle of wills that spawned a divided Germany

AS COLUMNS of American and British tanks rumbled through Hardenberg Strasse in the heart of West Berlin recently a lone elderly Berlin woman waved enthusiastically to the tank crews.

Apart from a young man who made an obscene gesture at the allied tanks, the other West Berliners on the Boulevard scarcely glanced at the display of military might.

A mood of widespread indifference towards the Western allies prevails in West Berlin as it prepares to commemorate the 40th anniversary of the Berlin airlift,which began on June 26, 1948.

The allied airlift, unprecedented in scale, spelled the defeat of the Soviet blockade of West Berlin and of Stalin's attempt to force the city into submission. It also marked a turning point in the relationship between the allies and the more than two million West Berliners.

From then on the allies, who entered Berlin in 1945 as occupiers became friends and protectors. The "brave, freedom-loving" West Berliners became a symbol of almost mystic proportions in the West. President Ronald Reagan, when he visited West Berlin last year, still spoke of the "fortitude and defiant courage" of its inhabitants, to the embarrassment of a good many West Berliners.

The four decades since the airlift have dimmed West Berlin's collective memories of the Cold War, especially among the younger generation. The continued sovereignty exercised by the three Western allies in the city appears increasingly arcane to young West Berliners. Their doubts are reinforced by the absence of any perceived threat to the city from the Soviet Union and surrounding East Germany.

In June 1948, however, few West Berliners questioned that Moscow wanted all of Berlin under Soviet economic and political influence. The Soviet representative had just walked out of the Allied Control Council in Berlin after the four wartime allies failed to achieve a joint policy on Germany. Previously the Soviet military administration rejected Mr Ernst Reuter, a social democrat who was elected Lord Mayor of Greater Berlin in spring 1947 in the last free elections held in the entire city.

The Soviet boycott of the Allied Control Council prevented an urgently needed currency reform for the whole of Germany as planned by the wartime allies. The Western allies were forced to introduce the new Deutsche Mark in their zones on June 20, 1948 and, five days later, in the three Western sectors of Berlin.

But on June 23 the Soviet Union tersely announced that as the result of a "technical fault" on the Berlin-Helmstedt railway line all services would be suspended. The blockade of West Berlin had begun.

General Lucius D Clay, the American military governor for Germany, telexed his determination to Washington to resist the Soviet pressures on Berlin: "If Berlin falls, Western Germany will be next. If we mean to hold Europe against Communism we must not budge."

General Clay knew that West Berliners could not be fed for more than a month without outside provisions. On June 26 he ordered the US Air Force to begin flying 225 tonnes of food and other supplies into West Berlin.

Stalin: tried to force Berlin into submission

At first Washington hesitated but then backed Clay's airlift plans after they were supported by Mr Aneurin Bevan, Britain's Labour Foreign Secretary.

A joint US-British air transport armada was rapidly created, at first using airliners whose seats had been torn out. Operations began on a round-the-clock schedule of nearly 1,000 landings and take-offs per day. Along with food and coal, the aircraft carried raw materials for industry and flew the finished manufactured products back to the West. By April 1949 one million tonnes of supplies had been airlifted to West Berlin, where a plane landed or took off every 22 seconds.

The indomitable Ernst Reuter quickly rallied West Berliners and dispelled remaining doubts among them. Few in the blockaded city succumbed to the attractive East German offer of ration cards to allow them to buy fresh produce and milk in the East instead of eating tinned US supplies.

Simultaneously the East intensified pressure on the city government and the assembly of Greater Berlin, which still convened in the Soviet sector. The Assembly, which had condemned the Soviet blockade, was prevented from meeting by the Communists and was forced to convene in the British sector. In November 1948 the Soviet military authorities replaced the old city government, which also moved to West Berlin, and for the second time elected Ernst Reuter as Lord Mayor.

The ramifications of the political split in Berlin were immediately felt in West Germany, where, with Western Allied approval, a parliamentary council met in September 1948 to draw up a constitution for a Federal Republic of Germany. It was to come into existence eight months later in Bonn and in response the German Democratic Republic was created in East Berlin in October 1949.

Although the blockade was lifted by the Soviets on May 12, 1949 the political division of Berlin and Germany had been cemented. The physical division however was not completed until the building of the Berlin Wall in August 1961.

But today the airlift is regarded as ancient history to younger West Berliners, who have come to accept the Wall as an immutable fixture of the city. In their lifetime West Berlin's land routes across East Germany to the West have been remarkably free of interference thanks to the 1972 four-power agreement on Berlin.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Bhutto court win clears way for election battle

MS BENAZIR BHUTTO, Pakistan's opposition leader, won a legal battle against President Mohammad Zia-ul-Haq yesterday when the Supreme Court struck down a law barring her party from contesting elections, Reuter reports from Islamabad.

The ruling on a petition brought by Ms Bhutto clears the way for her Pakistan People's Party and eight other groups to fight elections President Zia has pledged to call by August 26.

The 11-member court struck down part of the Political Parties Act which banned parties from taking part in elections if they failed to register with the Government Election Commission.

Ms Bhutto's party and eight other members of the Movement for the Restoration of Democracy alliance had refused to register, arguing that the requirement was unconstitutional.

The court declared the act's section relating to registration was "void in its entirety", reported the official APP news agency. It said the section was "inconsistent with the fundamental rights enshrined in the constitution."

President Zia introduced party registration under a martial law decree in 1979, but later the same year banned political parties altogether. The provision was retained in the Parties Act when political parties were allowed again after President Zia ended martial law in December 1985.

On May 29, President Zia sacked his civilian prime minister, Mr Mohammad Khan Junejo, dissolved the National Assembly (lower house of parliament) and the four provincial assemblies and ordered fresh elections within 90 days. But he has yet to set a date for the elections and it had remained unclear if he would permit all political parties to take part because of the registration bar.

President Zia, who siezed power in a 1977 military coup, barred parties from the previous elections in 1985 when candidates were allowed to stand only as individuals.

The MRD opposition alliance refused to accept the results and demanded fresh polls under laws prevailing before the July 5 1977 coup which toppled the then prime minister, Zulfikar Ali Bhutto, who was later executed on disputed murder conspiracy charges.

The main opposition party, Ms Bhutto's PPP, cannot now be excluded from the elections, said party lawyer Mr Aitzaz Ahsan in the Punjab provincial capital Lahore.

"Because the Supreme Court has interpreted the constitution, President cannot therefore impose this disability through any other or newly promulgated law," he told Reuters.

No Government comment on the judgment was immediately available.

Bonn's SA hanging threat

WEST GERMANY will consider sanctions against South Africa if it rejects clemency appeals for six blacks sentenced to hang for their part in the murder of a black councillor, officials said yesterday, Reuter writes from Bonn.

Mr Herbert Schmülling, the government spokesman, denied reports that the European Community countries had agreed to recall their ambassadors to Pretoria if the Sharpeville Six were hanged.

But officials said Mr Hans-Dietrich Genscher, the Foreign Minister, had directed that Bonn's ambassador Mr Immo Stabreit be recalled for consultations should the death sentences be carried out. This would be the toughest warning yet to South Africa from a government previously publicly opposed to sanctions.

Other EC countries – above all Britain – had resisted Genscher's efforts to prepare an EC-wide catalogue of sanctions in case the six were executed.

The six, five men and a woman, were convicted for sharing "common purpose" with a crowd that killed a black councillor in anti-government riots in Sharpeville township in 1984. They were not convicted of direct responsibility for the murder. They lost a Supreme Court appeal last week to have their trial reopened and were granted a stay of execution until July 19.

Refugees reject Dalai's plan for Tibet

By John Elliott in New Delhi

REPRESENTATIVES of Tibetan refugees in India have come out strongly against the Dalai Lama's proposals that they should give up demands for Tibet to win full independence from China, which invaded their remote Himalayan country in the late 1940s.

The Dalai Lama, spiritual and political leader of 6m Tibetans, spelt out his proposals in Strasbourg last Wednesday, even though he knew that they would be opposed by his followers. He believes a positive Chinese response would lead to gradual acceptance of the idea of a self-governing but not entirely independent democracy of Tibet.

Radical and militant refugee leaders are expected to step up demands for protest and even violence if China rejects the ideas, which the Dalai Lama has been developing in interviews since he visited the UK in April.

The Chinese embassy in New Delhi was given a copy of the speech one day before it was made. The Dalai Lama's aides do not regard the brief critical statement issued in Peking last Thursday as a definitive response. They have offered to have talks whenever Peking wishes, and they hope for a more positive response, although they do not expect China openly to welcome the ideas.

"There is deep scepticism among our people about His Holiness's proposals, and the people will regard it as a vindication of their views if the Chinese say the ideas are unacceptable and rubbish," the senior spokesman of the Tibetan government in exile said in New Delhi yesterday.

"More radical elements would then have a very strong platform, and the Dalai Lama, as spokesman of his people, would have to reflect these more radical views. He would support more protest action, though he would not condone violence and has said he might even resign as political leader if the protests become violent. If, however, the Chinese reaction is of willingness to discuss the ideas, then most of our people would gradually follow His Holiness."

Hyundai lifts lockout in bid to end car strike

BY MAGGIE FORD IN SEOUL

WORK IS expected to resume today at Hyundai Motor, South Korea's leading carmaker, which has been closed by an industrial dispute since the start of June.

The management yesterday lifted its lockout of employees, and asked them to return to work so negotiations could resume. The company has also substantially increased its pay offer.

The breakthrough in the dispute follows strong hints that the Government might intervene. The company said yesterday that management had decided that too much production had already been lost during the lockout, which was not beneficial to either side. The company had also taken into account the losses to the national economy.

Since the plant closure on June 1, production of around 45,000 vehicles has been lost, with a total value of Won 276bn (£224m). About two thirds of the vehicles were made for export markets.

The company also said it had raised its pay offer to workers from Won 50,000 to Won 78,000 per month, while the workers had reduced their claim from Won 130,000 to Won 90,000. Prospects for agreement were thought to be bright.

Disputes are continuing at two other Hyundai companies in the electrical engineering and defence equipment divisions.

But Hyundai management has moved to defuse an embarrassing row at its engineering and construction subsidiary, where two of its senior executives have been charged with instigating the kidnapping of a union leader. The kidnapping, which involved a junior manager representing white-collar workers, sparked strong criticism of the company. The chairman of the company has now apologised for the incident and attended the opening ceremony of the union's office in the company headquarters.

Yesterday's moves represent a substantial change in the corporate style of Hyundai, one of the most authoritarian companies in South Korea.

Victor Mallet reports on hard times for Namibia's guerrilla army

Swapo faces danger of isolation

LIKE ANY Angolan soldiers, the men collecting buckets of water from the river at Evale Guerra wore Angolan army uniforms and favoured flashy designer sunglasses bearing the names "Porsche" and "Ferrari".

But they spoke barely any Portuguese, for these soldiers on the government-controlled coast road south of Luanda were not Angolans. They were trained Namibian guerrillas of the South West Africa People's Organisation.

Angolan security men tried to keep the Swapo soldiers quiet, and an Angolan official explained that Swapo fighters are sometimes assigned guard duties on the roads to keep them out of trouble.

In fact Swapo, with its guerrilla campaign in northern Namibia severely restricted by South African security forces, seems to have thrown thousands of its men into the Angolan Government's war effort against Unita rebels and their South African allies deep inside Angola.

Cuba, which has an expeditionary force of about 40,000 troops in Angola, is not embarrassed about the alliance and its official newspapers talk openly of the "Cuban-Angolan-Swapo forces" and how they have pushed the South Africans almost back to the Namibian border in south-western Angola.

Swapo, recognised by the UN as the "sole and authentic representative of the Namibian people," is facing a difficult period in in its 28-year history.

Its problems have been highlighted by the talks, which resume on Friday, between the US, Cuba, Angola and South Africa aimed at making peace in Angola and achieving independence for Namibia. Both Swapo and Unita have been left out of the negotiations.

Swapo took up arms against the South African occupation of Namibia in 1966 and remains popular at home, particularly in its Ovamboland heartland in the north.

But its military campaign, has not succeeded. Indeed, South African intelligence claims that more than 10,000 Swapo guerrillas have been killed since the war began, and that the size of Swapo's fighting force has been halved to its present level of under 9,000.

Politically Swapo is an old-fashioned, Marxist-leaning nationalist movement, its exiled leaders such as Mr Sam Nujoma often given to slogans rather than explanations. Now Mr Nujoma faces the uncomfortable possibility that his Angolan hosts, desperate for peace, might be tempted to do a deal with South Africa which dumps Swapo and Unita without providing cast-iron guarantees of Namibian independence.

Publicly, Swapo leaders are confident that their interests will be protected by the Soviet Union, Cuba and Angola. Swapo's secretary general, Mr Andimba Toivo ya Toivo, warned recently against placing too much trust in the South Africans. "I myself have no confidence in them," said Mr Toivo ya Toivo, who was jailed for 16 years on Robben Island. "They are liars and they are evasive."

Swapo's relations with Angola, however, are not always cordial. At one time it appeared that independence was around the corner and Namibians came to Angola and Zambia to prepare for it. Now the guerrillas are firmly entrenched in exile, providing a useful pretext for the South Africans to make incursions

Apart from the fighters there are 69,000 Namibian refugees – five per cent of the Namibian population – living in Angola. Lacking farmland and motivation, expecting always to return home tomorrow, they have little contact with Angolans and are almost entirely dependent on the help of foreign donors. As a result their standard of living – in terms of education, health and imported food – is usually higher than that of their hapless Angolan neighbours.

Relations with the donors can be uneasy as well, and they have been particularly strained by Swapo's refusal to release or bring to court about 100 Namibians detained for more than two years without trial in a Swapo camp in southern Angola, allegedly for spying.

Dependency, even on Sweden or the UN High Commissioner for Refugees, is difficult. "The US has reduced its budget with the UNHCR and this has affected us considerably," says Mr Toivo ya Toivo. "We are depending on this outside assistance while we are here as freedom fighters."

The same story of dependency while awaiting independence is repeated in the Zambian capital, Lusaka, home of the UN Institute for Namibia (UNIN).

UNIN, a unique college which teaches Swapo members how to run the country for the day when it is theirs, has also been forced to trim its budget. But it remains the envy of Zambians and of the less well-endowed South African movement, the African National Congress.

Production at Namibia's diamond and uranium mines was hit yesterday by a mass stayaway of black workers. The two-day strike was called by local unions in protest against the stationing of troops near schools in the Ovamboland war zone, south of the border with Angola.

Mining continued normally, however, at the Tsumeb base-metals complex in the north of Namibia where over 1,000 miners were dismissed during last year's mining strike.

Most of Namibia's employed workers are migrant Ovambo labourers. Their families remain in the Ovamboland war zone, where thousands of South African and locally-recruited troops are pitted against South West Africa Peoples Organisation guerrillas fighting from bases in southern Angola for independence from South Africa.

Recently the army has moved some of its military bases close to schools, ostensibly for their protection against Swapo raids and abduction of children as recruits for Swapo's forces. But several children were killed and others injured recently when Swapo mortar bombs fired at military bases hit nearby schools.

Parents accused the army of putting children's lives at risk and pupils began a school boycott which two weeks ago spread to the sprawling Windhoek township of Katatura. Demonstrations in Katatura were broken up by police fuelling the unrest and leading to the strike.

A contributing factor has been President P.W. Botha's decision to reduce the powers of the six-party transitional government and apply South African-style press and other restrictions. Last week Ms Gwen Lister, editor of The Namibian, a weekly newspaper partially funded by the European Community, was detained under the security laws.

The fresh outbreak of strikes and unrest, and Pretoria's humiliation of a government widely perceived as a puppet regime, come against the unsettling background of negotiations aimed at ending the war in Angola and bringing independence to Namibia under UN Resolution 435.

Iran rebels attack border town

FIERCE fighting was reported yesterday in the Iran-Iraq war around the border town of Mehran, scene of an offensive by left-wing Iranian rebels on Sunday, agencies report from Nicosia.

The National Liberation Army, an Iranian guerrilla force based in Iraq which claims to have recaptured Mehran, said the attack on the town – apparently its most successful to date – was a prelude for further offensives against the Iranian regime.

But Mr Hassan Abdin, a senior NLA official, said the rebels planned to withdraw "to new defensive positions" following the attack – an indication that they would probably pull out of Iranian territory after inflicting maximum damage and casualties.

Mehran lies 125 miles south-east of Baghdad on the central battlefront between Iran and Iraq. Iran blames Sunday's attack on Iraqi forces rather than on the NLA, and says they used chemical weapons on a large scale.

Israeli farmer beaten to death

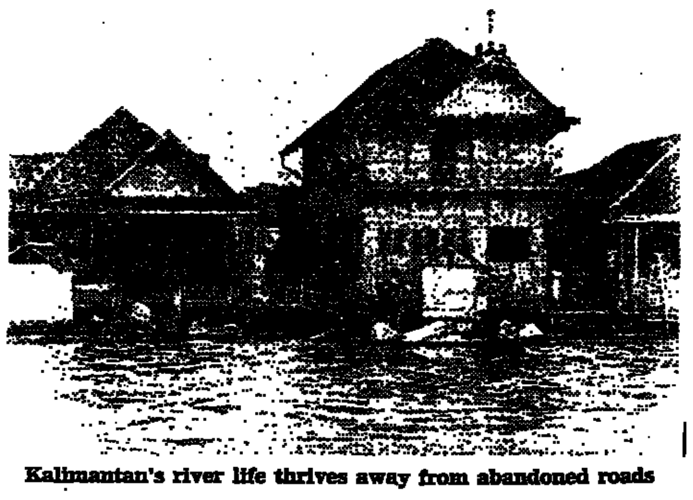
AN ISRAELI farmer was beaten to death overnight on Sunday in Israel and the army said it was most likely a "terrorist act" by Palestinians from a nearby village, Reuter reports from Tel Aviv. At least 20 Palestinians have been arrested, police said.

The body of Mr Eli Cohen, 30, was found in the fields of his settlement of Moshav Shekef, near Kiryat Gat, yesterday, police and military officials said. He would be the fourth Israeli killed in the six months of a Palestinian uprising during which 219 Palestinians have died.

OVERSEAS NEWS

John Murray Brown in Jakarta reports on gold rushes and timber merchants in the rain forest

Indonesia reaps raw materials in wilds of Kalimantan



Kalimantan's river life thrives away from abandoned roads

LIKELY as not, he owns a chainsaw, smokes brand filters in preference to local shag tobaccos and tunes his Japanese radio to catch the latest London gold fix. For the Kalimantan Dayak in his longhouse-on-stilts, to many people the enduring face of the rain forest, is also changing as a timber and gold boom overtakes this vast region of Indonesia.

Depending on your point of view, the drama unfolding is either a timely windfall for a poor developing nation or an environmental disaster of which we should all take note. It is President Suharto's most pressing task just to balance the equation -to satisfy the ecological concerns of the donor community and an Indonesian population of 175m with its own political and economic axe to grind.

From a strategic standpoint alone, the case for developing this tropic wilderness appears overwhelming. Kalimantan, an area the size of France, has only 38 people for every square mile, compared with 2,000 on the chronically overcrowded main island of Java. It constitutes the largest land mass in an archipelago stretching 3,000 miles in an arc as wide as the US.

It is contained by the the country's longest international border, an ill-guarded 900 mile cordon shared with the East Kalimantan states of Sabah and Sarawak. Only last year two Malaysian logging companies were able to cross the border cutting a 50-mile swathe of valuable hardwood without alerting the Indonesian authorities.

If anything, the economic imperatives are still more striking. The Government in Jakarta, while anxious to avoid social dislocation, is desperate to raise its revenue base. Indonesia, weighed down by a $45bn foreign debt, will see 40 per cent of this years exports absorbed in debt service charges.

In such a delicate natural environment the costs of rapid development are obvious. Competition for farmland puts increased strain on the forest. Deforestation, in many ways a function of poverty as much as the greed of logging companies, now affects an estimated 900,000 hectares a year. Only Brazil, which has the world's largest reserves is losing its forests at a faster rate.

Indonesia has made earlier stabs at opening up the territory. In the 1960s it was the dream of Mr Sukarno, the country's first President, to found a new city in the heart of Borneo. Today all that remains is the highway from Palangkaraya, built with Soviet aid. A curious sight, the road runs laser-straight for 35km into the forest and then simply stops.

Indonesia's development under President Suharto has been less fitful. He came to power in the mid-1960s after a failed left-wing coup. He won massive assistance from western aid donors happy to prop up his military-backed regime.

In many respects Indonesia's achievements provide a model for developing nations everywhere. The country is now self-sufficient in rice, its basic staple.

Indonesia under President Suharto's strong hand has avoided the internal strife so much a feature of Mr Sukarno's years – no easy task in a country of such ethnic and religious diversity.

Kalimantan has played its role. Exploration of the region's vast oil deposits provided the initial thrust. The oil business, stymied by protracted contract negotiations with foreign companies, has gone quiet of late. But coal is being promoted enthusiastically, though exports may be some way off. There is even talk of a first foreign stake in the island's cottage industry in diamonds.

The real driving force comes from gold and timber. Kalimantan is said to have the world's richest stands of commercial quality hardwoods. Until recently Indonesia was a significant exporter. But a ban on log exports since 1983 means much timber is processed domestically as ply. Indonesia is the world's largest plywood exporter, with 80 per cent of world trade.

There has been considerable criticism of the policy. The World Bank, in a confidential report says "there is growing concern among industry observers that Indonesia is selling cheap, giving away her best timber without realising adequate returns." But with plywood now the country's largest non-oil export – worth $2bn in 1987-88 – it is hard to expect a change of course.

Kalimantan is also the focus of the gold rush. A decision in 1986 easing foreign investment rules was enough to attract many of the large mining concerns – BP minerals of the UK, the Australian group CRA and Duval of the US included. Over 100 contracts have been signed, some blocks as large as 10,000 sq km, covering 10 per cent of Indonesia's total land mass.

Often companies have based plans on little more than archives from The Netherlands, the former colonial power, then to find local prospectors already developing the site. There have been isolated incidents where foreign mining camps have been attacked by locals.

President Suharto has pledged to clear the foreign concession areas by July 1. Mines officials in Jakarta say the army may now be used against the illegal miners, estimated to number 100,000 throughout the country.

Car window business booms in West Bank

BY ANDREW WHITLEY IN JERUSALEM

BUSINESS is not so good for most people in Jerusalem these days, what with the Palestinian "intifada" and a general downturn in consumer spending among Israelis. The one exception is the car window replacement business, which is doing a roaring trade.

Crowded outside the greasy workshops of the Wadi Joz district of Arab East Jerusalem and the Talpiot industrial park on the Jewish, western side of the city are the waiting customers. Humble Fiat 127s jostle for space next to latest model BMWs and elongated Mercedes taxis; Palestinian grandees in suits curse impatiently alongside Israeli truck drivers in shorts and sandals. There is no prejudice or favouritism here.

For if the defiantly hurled stone has, indeed, become the symbol of Palestinian resistance to Israeli rule, sparing none in its arched trajectory, the splintered windscreen is its sacrificial victim. By common consent, the most popular establishment for their repair is A & A Glass in Talpiot, better known to Jews and Arabs alike by its Hebrew name, *alef alef*.

After a fruitless search throughout East Jerusalem last Saturday to replace the rear window of a 1986 model VW Golf, violated in the line of journalistic duty, it was to Talpiot that this correspondent headed the following day, once the Jewish sabbath was over.

What a sight to behold! In this mecca of broken glass, an old Chevrolet Impala with distinctive pink and blue Bethlehem number plates, from the West Bank, was being repaired ahead of an Israeli-owned Subaru; waiting its turn was a Coca Cola delivery truck, its windscreen turned into an opaque cobweb.

Run by two observant Jews, like most garages in Jerusalem almost all those who actually do the work at *alef alef* are Palestinians from nearby West Bank towns and villages – probably friends or relatives of those who threw the stones and lumps of masonry at the offending vehicles.

As the Golf's dignity was being restored, a police Transit van pulled into the garage, virtually every window smashed in. It had been caught up in a riot on Salah ed-Din street, East Jerusalem's main thoroughfare, the previous day when secondary school children emerging from their classes had decided to show their solidarity with a so-called Day of Rage against the Israelis.

Even the veterans of *alef alef* were impressed. "Wow, look at that," breathed one, as they gathered round the scarred police van. In between shouting for someone to fetch a rear windscreen for an Opal and arguing with another customer over his exorbitant bill, Avner, the co-owner, paused for a moment: "Business has never been better," he grinned. "Long live the intifada."

Angola, Namibia on Cairo talks agenda

THE US, Angola, Cuba and South Africa will start three days of peace talks in Cairo on Friday aimed at ending the 13-year-old war between Angola's Marxist Government, backed by Cuban troops, and western-backed rebels, Egypt announced yesterday, Reuter reports from Cairo.

This will be the third round of negotiations, which is also aimed at securing independence for South Africa-ruled Namibia. The talks started in London last month and a second round was held in Brazzaville, the Congolese capital.

Cairo was chosen as a compromise venue because, although far from the war and uninvolved, it was an African city, diplomats said.

The ministry said Egypt had agreed to host talks "with a view to contributing to peace and stability in Africa," with the approval of Organisation of African Unity (OAU) chairman, President Moussa Traore of Mali.

Egypt was "motivated by a strong desire to create a favourable climate for a constructive and positive dialogue," the ministry said.

The government hoped the Cairo round "will lead to peace in Angola and the independence of Namibia" in accordance with relevant UN Security Council.

The talks are expected to take place in the Hyatt al-Salam,a hotel in walled grounds in the suburb of Heliopolis near Cairo airport.

Hotel staff said the foreign ministry had reserved a conference room.

Tight security is expected to surround the talks because South African government ministers will be in Egypt for the first time. Foreign Minister Pik Botha is expected to head Pretoria's delegation.

South African passport-holders are normally banned from entering the country.

Kampuchea optimism in Peking-Moscow talks

CHINESE Deputy Foreign Minister Tian Jiangpei discussed Kampuchea and other international problems during a week of political consultations with Soviet Deputy Foreign Minister Igor Rogachev, Tass news agency said, Reuter reports from Moscow.

The two also agreed China and the Soviet Union should hold a third round of talks on border issues in Moscow next October, the Soviet news agency said.

The talks with Rogachev, the 12th round of political consultations between the two countries, ended yesterday on an upbeat note, with both sides remarking that Sino-Soviet ties were developing, the Soviet news agency said.

"A lot of attention was paid to Kampuchean problems. The two sides expressed their positions in detail," Tass said.

"An exchange of opinion took place on a number of international problems, including the situation in the Asian-Pacific region," it said.

Hanoi has announced it would withdraw this year 50,000 of its estimated 120,000 troops in Kampuchea supporting the Phnom Penh Government.

But Chinese officials have said that Moscow should play a greater role in persuading Vietnam to withdraw its troops.

Vietnam invaded neighbouring Kampuchea in 1978, toppling the Peking-backed Khmer Rouge.

Tass said that Mr Rogachev and his Chinese visitor discussed returning to a normal footing the relations between the Soviet Union and China in a "business-like and sincere atmosphere."

"It was noted that during the time since the previous round of consultations, contacts and ties between the two countries developed," Tass said.

"There are considerable possibilities for moving forward Soviet-Chinese relations in different spheres," it said.

It said they agreed to hold the 13th round of political consultations in Peking in April and May, 1989.

Soviet-backed troops take Afghan provincial capital

THE Soviet-backed Afghan Government yesterday reported a victory over Moslem guerrillas at a southern provincial capital the rebels had claimed to have taken, Reuter reports from Islamabad.

The official Bakhtar news agency said government troops crushed the group of rebels at the Zabul provincial capital of Kalat on Sunday, killing 25 and destroying arms and food depots.

Pakistan-based guerrilla sources on Sunday said some 600 rebels had taken most government posts and offices in Kalat and were preparing for an assault on a remaining fortress held by government troops.

Bakhtar, monitored in Islamabad, said government troops also defeated a rebel group on Sunday in the Surkhrod district of the eastern province of Nangarhar, killing group leader Gula Jan and three others.

It said troops destroyed a large ammount of the rebels' arms and ammunition.

هكذا صدر الأصل

W Germans set to benefit from pollution loan

BY DAVID GOODHART IN BONN

THE West German Government appears set to endorse a major loan package – possibly up to DM1bn (£324m) – to East Germany to clean up its serious air and river pollution.

It seems certain that West German companies will benefit disproportionately from East German orders. Environmental technology is one of West Germany's fastest growing industries.

The loan deal is likely to be agreed when Mr Klaus Töpfer, West German Environment Minister, visits East Germany from July 10 to 13.

This development, following the news that West Germany is preparing to guarantee a commercial loan to the East German Government to help buy three aircraft from Airbus Industrie, may not please the US Congress.

Congress last week unanimously backed a resolution calling for consultation with allied leaders "on the impact on Western security" of various kinds of loans, trade credits and joint ventures with the Soviet Union and other Warsaw Pact countries.

Senator Bill Bradley (Democrat, New Jersey) has called on the President to work out a "co-ordinated Western approach" to such loans at the Toronto economic summit.

Large parts of West Germany – and in particular West Berlin – have long suffered the effects of enormous sulphur dioxide emissions from lignite-fuelled East German power stations.

Most acid rain which falls on West Berlin comes from five big lignite stations in East Germany. West Germany is also affected by pollution in the Elbe and Werra rivers.

Officials in the West German Finance Ministry argue that providing loans to facilitate the clean-up in East Germany is a far more cost-effective way to improve the environment in West Germany, where expenditure on environmental protection is already high.

The first major East German contract for desulphurisation was won by the British subsidiary of Davy McKee in June 1986.

US asked to exclude Venezuela from GSP

By Joe Mann in Caracas

OCCIDENTAL PETROLEUM has asked the US to exclude Venezuela from the Generalised System of Preferences because of an outstanding claim against the Venezuelan Government dating from the mid-1970s.

If Venezuela were to lose GSP benefits, some exports to the US would carry new tariffs.

The oil company has complained to the US Trade Representative's office that it has not received compensation for investments made in Venezuela before nationalisation of all foreign petroleum companies in 1976. Venezuela's Planning Minister, Mr Modesto Freites, said the company's action was "unfair and should be ignored".

Before 1976, Occidental conducted exploration work in Lake Maracaibo under contract with the Venezuelan Government. Other international oil companies received compensation.

Occidental's claim was held up after bribery allegations. The company denied wrong-doing. Twelve years later, the claim is still awaiting decision in Venezuela.

The US Trade Representative has until August to decide whether to investigate the case.

Korean businessmen are seeking new markets in the Soviet bloc, Peter Montagnon writes

Seoul uses Olympics as trade springboard

SOUTH KOREA HAS never missed a trick in the export business. So it comes as no surprise that the country is using the forthcoming Seoul Olympics to try to develop new trading relations with Communist countries that previously have been in effect out of bounds for political reasons.

Businessmen are looking to new markets in the Soviet bloc as well as China as a means of reducing their dependence on the US, which still takes 35 per cent of Korean exports.

As part of this process Hungary has just opened a trade office in Seoul and unofficial trade with China is growing apace. But despite the general euphoria, local businessmen also warn that it will take a long time before business with state-planned economies reaches important levels.

Unfamiliarity with the market and financing problems make the development of trade with Eastern Europe and the Soviet Union little more than a medium- to long-term objective.

Though it is now said to be growing at a rate of 50 per cent a year, trade with China remains very small in volume terms. Further business development will take South Korea into new areas of countertrade and barter with which its exporters are not especially familiar.

The development of China trade, however, enjoys the active political support of both governments. Last week, according to Chinese press reports, the eastern Chinese coastal port of Qingdao announced plans to establish a company in Hong Kong to develop trade with South Korea.

President Roh

For the Government of President Roh Tae-Woo in Seoul, a flourishing trade with China is seen as a way of isolating North Korea. In addition, the economies have much to offer each other.

China has raw materials which South Korea needs. South Korea has technology which would be useful to China. This is not only because it is somewhat less sophisticated than that now on offer from countries such as Japan and therefore more suited to Chinese development needs. It would also help China avoid economic dependence on the technological and economic superpowers of the West.

"We need silk, coal, copper, iron ore – raw materials," says Dr Jung Sun Suh, director of the Daewoo Research Institute. "At a second stage we could also import some semi-finished products because our wages are growing."

Ultimately this produces a vision of Korea using cheap labour on China's nearby eastern coast to process some of the products it exports, much as southern China has now become a major factor in ensuring the competitiveness of Hong Kong's economy.

Culturally, Korean businessmen view trading with China as more appealing than doing business with Japan. Yet, for all the obvious economic synergy, they still view the potential with a degree of reserve.

"There is some political risk, and some payment risk as well," says Mr Soon-Hak Lee, Managing Director and Chief Financial Officer of the Samsung group. Warning that China is likely to seek balance in its trade with South Korea, Mr Song Kim, finance director of Lucky Goldstar, says: "We should be prepared to see some very unrealistic demands coming from our Chinese counterparts."

Mr Lee says China's political outlook remains unpredictable. Korean companies might set up business there only to find from one day to the next that the Government moves in to close them down. This is harder to manage than the payment risk, he says.

Though South Korea has relatively little experience of it, countertrade should not be too great a problem. "It depends on whether the commodities they are offering are any use. If they are, it's all right."

Dr Soogil Young, senior fellow of the Korea Development Institute, warns against "overblown expectations" from business with China. Though Korean industry and construction enterprises could easily assist in Chinese development projects, he says he does not know of a single project in which they have been invited to participate.

Instead, trade between the two countries has so far been carried out on a very discreet basis. With annual two-way exchanges estimated at a total of $2bn (£1.1bn), most takes place indirectly via Hong Kong and without publicity, although rumours abound of big South Korean companies setting up joint ventures in China and even of Chinese authorities asking for Korean help in establishing semi-conductor manufacture.

Nevertheless, the new fashion for trade with China underlines a broader change in thinking on trade that is now going on in Seoul. For a start, it implies a relative decline in reliance on traditional exports like textiles.

With foreign sales of nearly $11bn this was the largest single export product group last year, though it is likely to cede pride of place to electronics in 1988.

At the same time South Korea's search for new markets is taking it into a pattern of trading that is less concerned with straight exporting for cash.

In contrast to its activity in the US, South Korea has sought to open up markets in Western Europe by setting up local manufacturing plants. As it develops new markets in other developing countries it will increasingly have to provide some form of official export finance. Insofar as trade with communist countries does develop, it is expected to become involved in barter and countertrade.

All this points to a growing willingness to open up the economy to a better balance between exports and imports.

A few years ago this would have been anathema.

CHINA is Taiwan's fifth biggest trading partner despite Taipei's ban on direct trade and investment in the mainland, the China Daily said yesterday, Reuter reports from Taipei.

Trade this year will total between $2bn (£1.1bn) and $2.5bn, up from $1.6bn in 1987, with Taiwanese companies forced to search for new markets because of increasing protectionism in the US, their biggest market.

By the end of 1988, Taiwanese companies will have set up more than 50 businesses in Fujian province, which faces Taiwan, with total investment of $50m, the newspaper added. Most of Taiwan's business with China is conducted through Hong Kong.

EC reopens ball-bearing action against Japanese

BY DAVID BUCHAN IN BRUSSELS

THE European Commission yesterday reopened an anti-dumping investigation into Japanese ball bearings, following European producers' complaints that dumping duties imposed by the EC in 1984 had been set too low to prevent damage to the European industry.

Last December, the Federation of European Bearing Manufacturers Associations asked the Commission to re-examine the level of the 1984 duties levied on Japanese bearings. These ranged from 4 to 14.7 per cent.

FEBMA claims that the volume and market share of imported Japanese bearings, which fell sharply in 1985-6, rose last year.

It alleges that the actual dumping margin and price reductions are now larger than in 1982-3, which the Commission took as the reference period for its first investigation and as the basis for the 1984 duties.

Claiming that between 1984 and the first half of last year the market share of domestic bearings producers in the EC fell further, from 43 to 40 per cent, FEBMA has called for higher duties to protect profitability and employment in Europe. The Commission said yesterday there appeared to be sufficient grounds to justify a re-examination.

The recent visit of Prime Minister Noburo Takeshita of Japan to Brussels has thus had no perceptible effect on EC anti-dumping action against Japan.

Just before the Japanese leader arrived early this month, the EC launched dumping investigations into Japanese earth-moving equipment.

US and Japan agree on beef imports

By Stefan Wagstyl in Tokyo

THE US and Japan yesterday reached an accord on liberalising imports of beef and oranges into Japan.

For beef, the import quota will rise by 60,000 tonnes a year from 214,000 tonnes in the current Japanese financial year to 394,000 tonnes in the year to March 1991, when quotas will be abolished.

Tariffs will be cut in stages from 96 per cent now to 50 per cent in the 1993 financial year and thereafter. Future tariff reductions will be discussed at the multilateral talks of the Uruguay Round of Gatt.

In a major concession by the US, Japan will be allowed to impose extra "anti-surge" tariffs in the years 1991-93 of 25 per cent if imports rise very rapidly.

For oranges, quotas will rise by 22,000 tonnes a year to 192,000 tonnes in the 1990 financial year. For orange juice concentrate, quotas will be increased from 8,500 metric tonnes in stages to 40,000 tonnes in the 1991 financial year. A rule requiring imported juice to be mixed with local juice will be gradually abolished.

In return for concession on timing, the US secured modest tariff reduction on a variety of other foods - including grapefruit, lemons, pet food and several kinds of nuts.

EC call to fine Hyundai over freight rates

By William Dawkins in Luxembourg

EUROPEAN Commission trade experts have recommended that Hyundai Merchant Marine of South Korea should be fined following complaints of unfairly undercutting EC freight rates.

Mr Stanley Clinton Davis, European Transport Commissioner, yesterday confirmed the move, leaked by Hyundai itself last week.

The recommendation has to be cleared by a full meeting of the Brussels Commission, expected shortly, before the duties take effect.

This will be the first time Brussels has made use of an 18-month-old law extending anti-dumping duties to shipping rates and could set the pace for future actions, possibly against Eastern bloc lines.

The duties also have to be confirmed later by member-states.

The inquiry into Hyundai was sparked by complaints from eight EC shipping lines that their rates were being unfairly undercut on routes between Europe and Australia.

Hyundai has pledged to fight any duties in court and to continue its service on that route, supported as a cheap service by several European exporters' organisations.

Britain repeats warning over coastal shipping

BY WILLIAM DAWKINS IN LUXEMBOURG

BRITAIN yesterday repeated threats to clamp down on coastal shipping from the European Community unless other member-states give its vessels free access.

Mr Paul Channon, UK Industry Minister, told his Community colleagues at a meeting in Luxembourg that the UK had taken the power this year to force foreign shipping lines to register in Britain if they wanted to continue coastal trade, known as cabotage.

"We would be extremely reluctant to use those powers, but in the absence of early headway... we would see no alternative," he said.

British ports take a quarter of EC coastal trade and are in a minority with Denmark and Belgium in offering free cabotage.

British shipping lines are putting growing pressure on the Government to win them equal access elsewhere in Europe or stop them being squeezed at home by EC competition.

However, progress on a European Commission proposal to liberalise cabotage is being held up by Spain, Portugal, Italy, and Greece.

They insist they cannot open their coastal trade without EC assistance to compensate their fleets for the fresh competition that would come from the north.

Accordingly, the southern member-states want to link any moves to liberalise coastal trade with a separate – but also long-delayed – package of aid schemes for Community shipping. The Commission, backed by the UK, Belgium and the Netherlands, is determined to keep the issues separate.

Takeshita reflects Japan's search for higher profile

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN TORONTO

TORONTO SUMMIT

PRESIDENT Reagan and Mrs Margaret Thatcher may be grabbing most of the limelight, but the Toronto summit is also witnessing another important if tentative step by Japan to assume a higher profile on the world stage.

Mr Noboru Takeshita, Japan's Prime Minister, has by and large avoided headline-grabbing initiatives, although his officials once again repackaged a multi-billion dollar programme of development aid.

More interestingly, Mr Takeshita's government has produced a string of more modest proposals aimed at establishing Japan's role as ambassador for South-east Asia and the Pacific.

It has also signalled that with the imminent departure of the present administration in Washington it is prepared to take up some of the running in framing international economic policy co-ordination, particularly in regard to developing-country debt.

The reason for Mr Takeshita's confidence is obvious. Japan has spent most of the summits of the past few years under siege from its allies to do more to promote growth in its economy, open up its markets and reduce its trade deficits.

This year it can claim for the first time in recent memory that it has done more than most to live up to its international obligations. Last week's figures showing that its economy was growing by an annualised 11 per cent in the first quarter could not have been better timed.

Against that background, Mr Takeshita has come to the summit with a list of Japan's regional priorities.

He has urged vigorous Western support for the Aquino government in the Philippines, a tactful approach in contacts between the Group of Seven and the newly-industrialised countries of Asia, and a new focus on efforts to secure Vietnam's withdrawal from Cambodia.

At Japan's suggestion the summit has also discussed the need to ensure a successful and trouble-free Seoul Olympics.

None of the issues is momentous but together they mark a shift from Tokyo's traditionally reactive and passive role at the summits. They have also enhanced Japan's claim to regional leadership.

The reception to its proposals to tackle middle-income debt was less encouraging. Japanese officials found themselves obliged to give assurances that Tokyo was not seeking to undercut the existing case-by-case approach formulated by the US.

The signs, however, are that Japan, as the world's largest creditor country, now expects to be at the centre of any new efforts to tackle the debt crisis, even if that has to await a new US President.

Anti-summit protesters held

BY DAVID OWEN IN TORONTO

WHILE G7 leaders huddled together in Toronto for their first session of summit talks, police were busy arresting protesters from the so-called Popular Summit meeting less than half a mile away.

Some 1,500 members of church, labour, peace and anti-poverty groups assembled at Queen's Park near the Ontario provincial legislature for a protest meeting. They included native Canadians, Third World refugees, blacks, AIDS patients and homosexuals.

The trouble began when many of those attending the meeting decided to march on the G7 site intent on making citizen's arrests of the leaders of the seven leading industrial nations. The grounds cited for these intended apprehensions were "crimes against humanity."

About 140 arrests were made as marchers attempted to breach makeshift police barricades erected a few blocks from the G7 summit arena.

Those who refrained from clambering over the barriers contented themselves with chanting and building a bonfire on which they burnt flags and effigies of the seven summit leaders.

Helicopters hovered overhead and a scuffle briefly broke out when half-a-dozen women began to dance topless. One man burnt a red C$2 bill and urged others to follow suit. There were no takers.

● Leaders conferring at the summit kept a wary eye on how world money markets reacted to their meeting, but the hot trading in Summit Square was in summit lapel badges, Reuters reports from Toronto.

Summit Square is a tented encampment set up to feed and entertain officials and reporters in a parking lot just across the road from the glass, steel and marble Metro Convention Centre where the talks are being held.

Square management had to issue a memo saying, "We have had an unbelievable interest in the pins being handed out" and urging that they be given only to delegates and press.

"There's a lot of trading going on," said staff member James Appleyard, who traded a summit pin for one from the recent Reagan-Gorbachev meeting.

Stewart Fleming on a shift of power among the Group of Seven

Warning shots across the US bow

SHORTLY before Mr Noboru Takeshita, the Japanese Prime Minister, left Japan for the Toronto economic summit he issued an extraordinary warning to the US.

If Washington were to push Tokyo too hard in international negotiations, he said, this could trigger a backlash and the emergence of a "misguided nationalism" in Japan.

It was an oddly forthright comment from a man who was about to attend his first summit as leader of his country, the more so since Japan has generally responded to Western pressure to take on a role in world affairs more commensurate to its economic strength by trying to avoid such controversial public warnings to its biggest ally.

Japan's initiatives and statements at the summit have reinforced the palpable sense of a changing world order which pervades this meeting of the leaders of the Western alliance.

It is not just that this is the last summit for President Reagan, the man whose economic policies and diplomatic initiatives, particularly in East-West relations, have dominated the alliance – at times for better and at times arguably for worse.

When Mr Reagan appeared at his first summit in Ottawa in 1981 he was at pains to impress on his peers who was in the driving seat. A picture, rich in symbolism, of Mr Reagan driving a golf cart with an uncomfortable looking West German Chancellor Helmut Schmidt at his side, made the point most graphically.

As Mr James Baker, the US Treasury Secretary, has said recently, Mr Reagan's ideas for reinvigorating the West through the injection of a strong dose of market economics were quietly "derided" by some of those at Ottawa. They did not, however, feel strong enough to resist the leader of the Western military superpower or warn that if he pushed too hard he might trigger a nationalistic backlash.

But today, if Mr Reagan is leaving the world stage with a sense of achievement, he is also leaving behind a group of Western leaders struggling to come to terms with the new world order which they face.

President Ronald Reagan chats to Mrs Thatcher during a pre-dinner stroll at the summit

It is clear that no matter who succeeds the President, Vice-President George Bush or the Democrat Governor Michael Dukakis of Massachusetts, he will not be able to march to the front of the next economic summit and try to bend policies to his will. He will need to adopt a more collegial leadership style.

Japan is not alone in hinting that a too aggressive US could evoke a new Asian nationalism. Nations in its sphere of influence such as South Korea and Taiwan are also under US pressure to modify trade and macro-economic policies.

For the first time the European Community is also trying to adopt a higher profile on issues where it claims competence. A tiny, but significant, sign of this is the glossy booklet it has produced for reporters to publicise its positions.

Then of course there is Mrs Margaret Thatcher, the British Prime Minister and longest-serving head of government at Toronto. Her officials have been vigorously promoting her as the leader who set the agenda for the first round of economic discussions. Her statement was described as "brilliant" by a top European official.

Mr Reagan's imminent departure will remove one of the foundations of her influence, her close relationship with the President, a relationship which would be difficult to forge with Mr Dukakis, for example.

Could this help to nudge her in the direction of adopting a more vigorous pro-European stance?

So far, at least, the underlying divisiveness on issues such as macro-economic adjustment, agriculture and how to respond to change in the Soviet Union has, as the US wanted, been submerged in an atmosphere of stocktaking. This is not least because of the conciliatory stances Washington has been adopting on most of the issues.

As a result it will probably not be until the next summit that the participants will be ready to risk confrontation in pressing their points of view. Then the transition to a multipolar Western alliance which is under way in Toronto will become clearer.

Sea missile issue seen as threat to arms treaty

A SENIOR US arms expert said yesterday that Washington and Moscow were unlikely to arrive at a strategic arms treaty this year if the Soviet Union insisted on including the issue of sea-launched missiles, Reuters reports from London.

Mr Max Kampelman, who leads the US team at arms control talks with the Soviet Union in Geneva, said he did not think the two sides would agree this year on how to verify reductions in sea-launched cruise missiles (SLCMs).

He told a satellite television news conference from Washington that agreement on a strategic arms reduction treaty (Start) this year was possible if the verification issue could be treated separately. "If the Soviets continue and persist in the view that SLCMs should be resolved then we won't have a Start treaty this year," Mr Kampelman said.

President Reagan, who stands down after US elections this year, and Mr Mikhail Gorbachev, the Soviet leader, had wanted to cap their Moscow summit last month by signing the Start treaty, but were unable to finish work

Mr Kampelman said the US side was surprised the Soviet Union had changed its position last December to make agreement on sea-launched missile verification a condition for such an accord. But he said Moscow might agree to drop its insistence on including the sea-launched missiles in the Start package, although he added that the verification issue was problematic.

It was not acceptable to have US inspectors on Soviet naval vessels and Soviet officers on US ships to check for missiles, Mr Kampelman said, adding that some technical means of verification would have to be found.

Asked if he thought the SLCM issue had replaced Reagan's Strategic Defence Initiative missile system as the main stumbling block to the treaty, Mr Kampelman said he had never accepted that SDI was a barrier to Start.

Carlucci orders rules review on military buying

BY LIONEL BARBER IN WASHINGTON

THE US Defence Secretary, Mr Frank Carlucci, has ordered a review of the rules governing military procurement in response to the growing Pentagon bribery scandal.

Mr Carlucci is considering whether to tighten the rules covering the transfer of information on weapons contracts between civil servants, private consultants and defence contractors.

A two-year investigation by the FBI and other law enforcement agencies which broke surface last week has uncovered a vast network of individuals trafficking in classified information on contract bids and weapons systems.

The network appears to involve senior Pentagon officials and major US defence contractors who sought to undermine efforts by the Reagan administration to introduce more competition in defence procurement – which is running at around $150bn a year.

The scandal is not only a political embarrassment for the Republican party, it also jeopardises the reforms in Pentagon procurement introduced as a result of the Packard Commission, the presidential panel set up in 1985 to examine defective weapons systems, padding of contracts and accounting misdemeanours by the US defence industry.

While arguing for more competition among contractors, the Packard Commission – headed by Mr David Packard, chairman of the Hewlett Packard Group – urged Congress to ease the burden of regulation, reporting and oversight. The current fear is that Congress, in an election year, could do the opposite in a backlash to the present scandal.

Frank Carlucci

Senator Charles Grassley of Iowa, a frequent critic of Pentagon spending, repeated claims yesterday that the US Justice Department had been tipped off three years ago about the illegal transfer of classified information on weapons systems from the Pentagon to defence consultants and private industry.

Mr Grassley said the Justice Department blocked the testimony of an official in the Procurement Fraud Unit, a special Justice Department bureau set up to investigate waste in the military budget.

Last week, the Justice Department issued search warrants against current and former Pentagon officials and defence contractors including McDonnell Douglas, Northrop, Pratt & Whitney, Unisys and United Technologies. At least 250 subpoenas have been issued and grand jury indictments are expected to follow within three months, covering as many as 70 individuals.

Lawmakers to debate $2bn gap in revenues

By Lionel Barber in Washington

THE House Ways and Means Committee will today consider how to plug a $2bn gap in revenues created by Congress's intention to preserve tax breaks due to expire this year.

Congressman Dan Rostenkowski of Illinois, committee chairman, will present a list of revenue-raising options to his colleagues. This may include a 5 per cent withholding tax on interest paid on securities portfolios to foreigners.

Committee sources stressed yesterday that it was too early to tell whether the securities tax would be included in the final measures, which have to be approved by the Senate before being finally settled in House-Senate conference later this summer.

The opportunity for lawmakers to juggle with new revenues and taxes was created by a bill seeking to make technical corrections to the Tax Reform Act of 1986. Members are changing the language of the Act via a Technical Corrections Bill, but members insist the substance of the landmark act will stay intact.

Lawmakers want to preserve tax breaks such as employee deductions for educational expenses, which were due to expire this year. Congress does not wish to violate last year's two-year budget reduction accord with the administration, and so Mr Rostenkowski is pressing for measures aimed at raising $2bn, the cost of extending the tax breaks.

A last week included various options which would raise $13bn, well above what is needed but enough to generate debate.

Democrats seize on sanctions issue

Stewart Fleming explores Congress divisions over South Africa

CONGRESSIONAL Democrats are gearing up for another effort to impose draconian economic sanctions on South Africa.

The House of Representatives, where the Democrats have an impregnable majority, is expected to approve a swingeing sanctions bill in the next few weeks before the party's presidential nominating convention.

Among the six new sanctions the House bill would impose if it were to become law is a ban on new US investment in South Africa and a requirement that US businesses there divest of their current holdings. These curbs are coupled with extensive new restrictions on US exports and imports from South Africa. The bill also lays down rigorous conditions which would have to be met for the sanctions to be lifted.

The adviser to one conservative congressman on Capitol Hill described the sanctions last week as the most severe considered. "We haven't even required complete disinvestment from Libya."

Two years ago, on the eve of the mid-term elections, many leading Republicans (including Senator Richard Lugar, then chairman of the Senate Foreign Relations Committee) were prepared to break ranks with the Administration and vote to approve a sanctions bill which eventually became law over President Reagan's veto. But now political divisions run deeper.

Although some Republican House conservatives are expected to vote for the bill for fear of electoral repercussions if they oppose it, the outlook for the legislation in the Senate is murky. The chances of a bill reaching President Reagan's desk are slim, not least because the congressional timetable is so crowded. This could save the President the political embarrassment of having to veto another anti-apartheid bill in an election year.

In part the deeper divisions in Congress on the legislation this year reflect partisanship.

The decision last weekend by the Democratic Party's election platform committee to support declaring South Africa a "terrorist" state demonstrates the depth of feeling on the issue.

It also illustrates how useful party leaders believe South African policy can be in solidifying black and liberal support for Democrats. It can be used to satisfy the demands of the Rev Jesse Jackson after his run for the party's nomination and castigate the Reagan Administration and Vice-President George Bush, the likely Republican presidential nominee.

Advocates of branding South Africa a "terrorist" state concede that this would not lead to the imposition of more rigorous sanctions than those contained in the legislation.

But it would have the powerful symbolic effect of putting Pretoria alongside the likes of North Korea and Libya in the eyes of US voters and focus attention on the broader issue of southern Africa rather than on apartheid in South Africa. It would lay a foundation for more stringent sanctions including constraints on co-operation between the US and South African intelligence agencies. The House bill proposes such curbs but even some of the bill's supporters expect them to be watered down.

It is more than just partisanship, however, which explains why there is unlikely to be a repeat in 1988 of the Republican and Democratic coalition which came together in 1986 to pass sanctions legislation. Doubts about the effectiveness of a unilateral US sanctions policy have grown and the wisdom of imposing even stricter sanctions is being questioned more widely. These doubts have been reinforced by concerns that America is shooting itself in the foot by imposing sanctions unilaterally.

As a result, besides the usual exemptions to the trade restraints for imports of minerals deemed essential to the US economy or defence such as chromium, manganese and platinum-group metals, US agricultural exports are excluded too in deference to the hard-pressed farm economy.

In addition the main sanctions bill, HR 1580, the Anti-Apartheid Act Amendments of 1988, calls for the President to retaliate against foreign companies seeking "significant" commercial advantage from US sanctions.

Moreover, the arguments of those such as Congressman Dan Burton (Republican), who asks in an addendum to the report on the bill "Can South African blacks afford another 'moral stand' that actually detracts from their ability to fight apartheid?", have gained strength.

SA divides presidential hopefuls

SOUTH AFRICA is a foreign policy issue which deeply divides the probable Democratic and Republican Presidential candidates, Stewart Felming reports.

Vice President George Bush says that "under present circumstances I will not recommend further sanctions. Rather we must continue to use diplomacy and negotiations for constructive change." Sanctions' political and economic effects have been "marginal to negative." He also argues that US policy has made progress in the past seven years, a view which has found minimal support on Capitol Hill.

Governor Michael Dukakis in contrast has come out in support of the new sanctions bill. His advisers have not resisted the idea of declaring South Africa a "terrorist" state, though he says that he does not favour putting labels on countries.

He will also "lead the fight for economic sanctions in the UN. . . expand dialogue with South African anti-apartheid groups including the African National Congress. . . press forcefully for Namibia's independence."

Rio poised to compensate indebted farmers

BY IVO DAWNAY IN RIO DE JANEIRO

THE Brazilian Government was drawing up last minute proposals yesterday to minimise the impact of a Congressional plan to write-off hundreds of millions of dollars in business and farm debts.

A proposed debt 'amnesty' has emerged in the Constitutional Assembly, now debating the final details of the transition to the new constitution.

It aims to compensate thousands of smaller businessmen and farmers who incurred large liabilities on loans taken out at low interest rates during the government's anti-inflationary Cruzado plan in 1986.

If, as now seems inevitable, the measure is adopted, debt-holders will be exempted from paying interest increases brought about by inflation-indexation – the bulk of the loan's cost.

Supporters argue that the Government's agreement to bail out large groups which have overborrowed, such as Transbrazil, the civil aviation corporation, and Sharp, the consumer electronic goods maker, justifies similar treatment for small debtors.

Opponents of the move counter that the proposal places intolerable strains on the already crippled economy and serves only to reinforce the 'moratorium culture' that deems debts cancellable at will.

Amendments now tabled include one demanding cancellation of up to Cz386bn ($2.17bn) in inflation-indexed liabilities. Some 78 per cent of this is owed to state-owned banks, largely the Banco do Brasil, with the remainder held by the private sector, already troubled by bad debts.

The Government is now attempting to pre-empt the Assembly's decision, expected later this week, by proposing a limited amnesty valued at Cz100bn, with only carefully defined groups deemed eligible.

"The real problem is that we simply don't know what kind of sums are involved," one finance ministry official said yesterday. "We can try to limit the impact by controlling eligibility, but there is a total lack of credibility in the statistics. We don't really know how much it will cost."

Fierce opponents of the move, including Mr Mailson da Nobgrega, the Finance Minister, and officials of the Central Bank now believe that some kind of gesture is inevitable. By offering a carefully regulated compromise, they hope that the impact can be minimised.

But the amnesty also reflects a worrying trend within government for payment of debts to either be postponed or simply ignored. State-owned companies such as Petrobras, the oil monopoly, has for example long refused to pay certain taxes and debts to other state enterprises because of non-payment of bills by Electrobras, the national electricity utility.

Nicaragua calls for more talks with rebels

By Tim Coone in Managua

THE NICARAGUAN Government has called for a renewal of the stalled peace talks with the US-backed Contras to avert a renewal of hostilities.

In a letter to the head of the Contra negotiating team, Dr Alfredo Cesar, the Minister of Defence, General Umberto Ortega, urged the Contras to return to the negotiating table "to put an end to the war by negotiating a definitive ceasefire, and which will lay firm foundations to strengthen the democratic process [underway]."

He has proposed four days of talks from June 28 to 29 to be held again in Managua.

The last talks in Managua early this month ended without any advance and was accompanied by mutual accusations of sabotage. A tenuous ceasefire is due to expire at the end of June.

In a parallel development, President Daniel Ortega warned that any renewal of funding to the Contras by the US Congress "be it military or humanitarian, and outside of the Sapoa Agreement, will be a violation of the Esquipulas Agreement and will be totally unacceptable to Nicaragua."

The Esquipulas and Sapoa Agreements laid the basis for the subsequent direct talks between the Government and the Contras.

US risk technology agency recommended

JAPANESE companies are poised to commercialise superconductor technology well before their US rivals, despite the US lead in basic research, according to a draft report by the Office of the Technology Assessment, AP-DJ reports from Washington.

The office, a research arm of the US Congress, recommends that the Government establish a Commercial Technology Agency, with an annual budget of between $100m and $500m to aid high-risk research and solve technical problems hindering US efforts to commercialise new technology.

The agency would be modelled after the US Defence Department's Defence Advanced Research Projects Agency, which explores next-generation technology that might aid the military.

The technology office is preparing a final version of the report, which it expects to release June 28 to coincide with hearings scheduled by the Senate Government Affairs Committee.

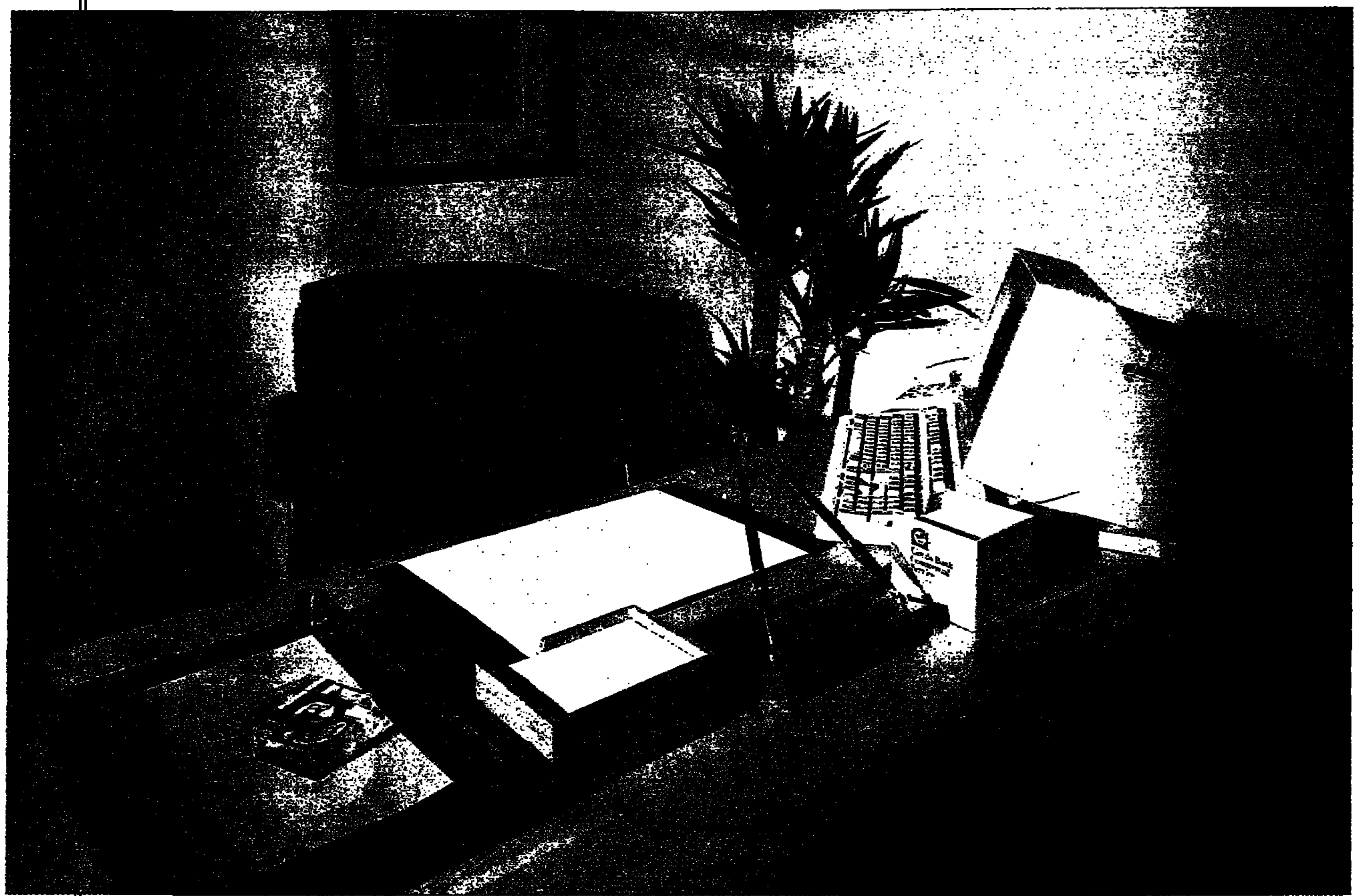
The conclusions in the final report are expected to mirror the draft report, but the wording may be more guarded, reflecting the conflicting opinions of those who review the draft.

The report is bound to be controversial because of its optimism about how quickly superconductor products will reach the market. In addition, it could draw fire for its criticism that excessive reliance on defence applications could slow commercial superconductor projects and for its advocacy of bigger government.

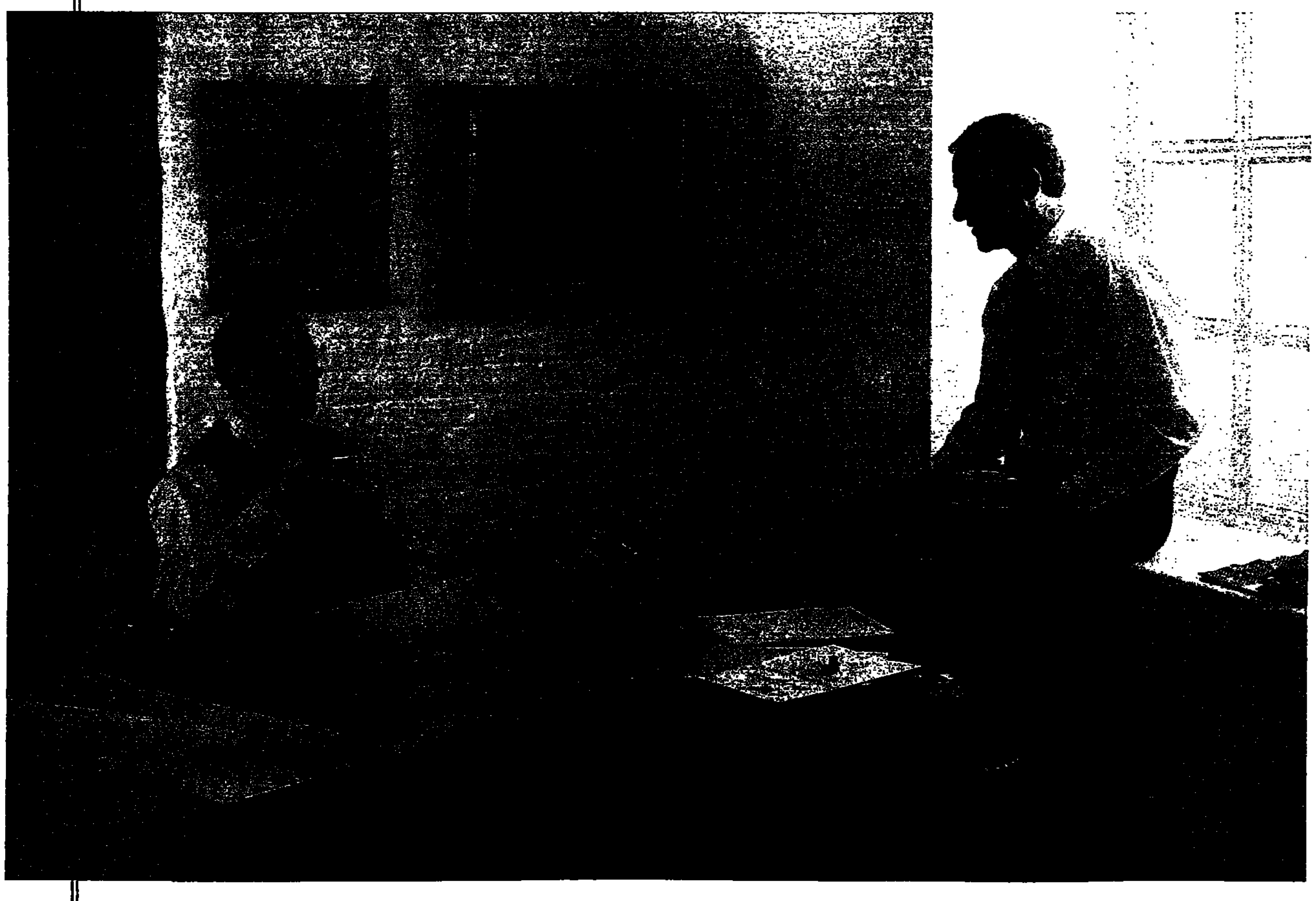
Superconductors are materials that conduct electricity with practically no loss of current. The materials formerly were impractical for most applications because they required extremely low temperatures – around minus 270°C – to work. But in the past few years, scientists have discovered superconductors that work at almost 200°C warmer. Some say that it will be used to build superfast computers, floating trains and power lines that do not waste electricity. But experts disagree about when lab advances will yield useful products.

The technology office's draft report concludes that Japanese companies are better positioned to commercialise superconductor technology because they believe it will lead to a plethora of products in the next decade. As a result, it says, they will consistently invest in product research, while US companies are taking a "wait-and-see attitude" toward superconductor products.

Japanese companies have the lead in developing superconductor-based trains and may well pull ahead in motors,



"My bank manager is never there when I want him."



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UK NEWS

THE RIPPLES OF THE BARLOW CLOWES COLLAPSE CONTINUE TO SPREAD IN BRITAIN AND BEYOND

Gibraltar companies under scrutiny

BY RICHARD WATERS

BARLOW CLOWES' liquidators in Gibraltar have traced around 35 companies in the UK colony through which investors' money is believed to have been channeled into yachts, property and other assets.

This emerged as investigations intensified on a number of fronts, including Geneva, Jersey, Lichtenstein and Britain, into the whereabouts of £100m or more of investors' funds.

The Gibraltar search has also located another yacht – the $1m *Yara* – over which joint liquidators from Ernst & Whinney believe they have a claim. The yacht is currently held by shipbrokers Camper & Nicholsons in the South of France.

The first yacht to be identified, the *Boukephelas*, which escaped the liquidators' clutches two weeks ago, was expected to arrive in Gibraltar last night with two Ernst & Whinney accountants aboard. The liquidators are still attempting to establish a claim over a third yacht, *Pam II*, currently in Puerto Banus, Spain.

The yachts, together with three properties under construction in Gibraltar and another three or four in Marbella, are among the assets held by the labyrinthine network of related companies on Gibraltar that the liquidators are attempting to penetrate.

Lawyers acting for the companies are reported to have been asked by Mr Peter Clowes to co-operate fully with the investigators. Two former associates of Mr Clowes, Mr David Mitchell, the Geneva-based accountant and Dr Peter Naylor, a former director of Barlow Clowes (UK), are directors of a number of the companies.

In all, between £75m and £90m is believed to have been invested in the offshore fund when its administration was shifted in its entirety from Geneva to Barlow Clowes International in Gibraltar last spring. It is not known what assets, if any, existed at the time.

The investigations are branching out into an ever wider range of issues. They include:

● What lay behind a £5m payment from BCI to Temple Bar Investments, the Gibraltar investment company which was Mr Clowes' first venture in the colony.

Two former Temple Bar directors, Mr Denis Wilson and Mr Ross Hyett, are directors of north of England investment companies DC Wilson and Analysis Group, which advised investors to put substantial sums into BCI.

A third director, Mr Philip Edwin Saunders, also lists DC Wilson as his address, though the company yesterday denied any knowledge of him.

All three resigned as directors last September. Mr Wilson issued a statement through his solicitors last night in which he said that any payment to Temple Bar had been made after his resignation, and that he had never received any commission or other payment from the company.

The company had been set up in 1985 "to offer investments from a wide range of investment companies and Barlow Clowes".

The current directors of Temple Bar are Mr Peter Henwood and Mr Andrew Sebastian, business associates of Mr Clowes in the Isle of Man. Mr Henwood was interviewed by Cork Gully, joint liquidator, in relation to another Clowes connection a week ago.

● Joint liquidators Mr Jordan and Mr Hamilton are flying to Geneva on Wednesday to interview Mr David Mitchell. Mr Mitchell is a former chairman of James Ferguson Holdings, into which Barlow Clowes was integrated last year. He is alleged to have received a loan of £2m from Barlow Clowes, and the liquidators are keen to establish his relationship to the Barlow Clowes funds before they were shifted to Gibraltar last year.

● Mr Jordan is planning to launch investigations in Jersey later this week. Among those he wants to interview is Mr Conrad Winston Whitehead, a partner in Jersey lawyers David Morgan Whitehead and one of the directors of Barlow Clowes and Partners. It is believed that funds from Jersey were transfered to Lichtenstein through a number of related companies, including International Securities AG, a company linked to Mr Clowes and another business associate, Mr Guy Cramer, through his company Cramer (Holdings). Mr Cramer was interviewed by the liquidators last week about £13m he is alleged to have received.

● Liquidators in Gibraltar are attempting to establish a claim of £7m over the the £51m already secured on behalf of investors in Barlow Clowes' UK funds. This is substantially less than the £14m which it was feared they might claim. Apart from this amount, the UK fund investors seem likely to receive a near total repayment of their funds, although it will be months or even years before payment is made.

The £7m claim relates to three separate purchases of gilts recorded by Barlow Clowes International, the Gibraltar company, between 22 December 1987 and 31 March 1988. The contract notes represented by these purchases did not reach the Gibraltar company.

Contract notes relating to a further two purchases, also totalling £7m and made through the same London brokers Guy Puckle & Co and Robert Wigram, have been secured in Gibraltar. It had been thought that these also might have been diverted to the UK.

The possibility of further claims on the UK assets from gilt purchases made before December 1987 have not been ruled out.

Over 4,100 firms have interim status

BY PETER RIDDELL, POLITICAL EDITOR

MORE than 4,100 investment businesses are still operating only under interim authorisation, six weeks after the main investor protector provisions of the Financial Services Act came into operation.

These figures, revealed in a parliamentary written answer last night, were seized on by Labour Party leaders to raise questions about the state of City regulation in the wake of the collapse of the Barlow Clowes investment companies.

The answer from Mr Francis Maude, the corporate affairs Minister, was that last Wednesday "there were 4,184 persons holding interim authorisation within the terms of paragraph one of schedule 15 of the Financial Services Act." This is based on figures from the Securities and Investments Board.

This total compares with around 7,000 on April 29 when the main parts of the Act came into force, covering authorisation of businesses to attract and use money from investors.

Because of a large backlog in processing applications, people and firms which had applied by then were given interim authorisation.

Mr Tony Blair, Labour's trade spokesman, said last night: "Now (that) we know that the regulatory system before the act was manifestly failing, the existence of this number of merely interim authorised firms is a matter of acute concern, since interim authorisation means no more than that they have submitted a valid application form."

Commenting on the Barlow Clowes affair, he added: "The Government has an absolute responsibility to ensure the early publication of the investigator's report ... I have been deluged with letters from small investors whose money is now at risk."

"They share two factors; they are usually elderly, retired people or those with windfall payments such as redundancy money, who are not familiar with the financial markets; and they have been lured into Barlow Clowes by the promise that the money was totally secure in gilt-edged securities that were withdrawable on demand.

"It is now clear that this affair raises much deeper and more far-reaching questions than merely the one-off collapse of one investment firm.".

His comments have been matched by many other MPs who have received anguished letters from elderly people.

Unions toughen stance on signing of strike-free deals

BY JOHN GAPPER AND PHILIP BASSETT

THE TRADES Union Congress yesterday moved to bar member unions from signing strike-free deals in exchange for recognition on 'greenfield' sites in a significant toughening of its stance against the practices of the EETPU electricians' union.

The revised code of practice, drawn up on the eve of the expected suspension of the EETPU for refusing to withdraw from two such deals, is likely to cause fresh controversy at a meeting of the TUC's ruling general council tomorrow.

The draft version of the code had "advised" members not to reach recognition agreements including compulsory binding arbitration – the type pioneered by the EETPU – but was hardened at a meeting of TUC's special review body yesterday.

The new code would tell unions they "must not" reach such agreements in exchange for recognition, and can sign them only in plants where they have already gained recognition, after consulting members whom they have already recruited.

The revision, proposed by Mr Ken Gill, joint general secretary of the general technical union MSF, was passed only by a 9 to 7 majority. Mr John Edmonds, general secretary of the GMB general union, was one of those voting against.

Mr Bill Jordan, president of the Amalgamated Engineering Union, which is in the middle of amalgamation talks with the EETPU, said he expected the new code to cause "serious concern" at the general council meeting.

However, Mr Jordan said that although he opposed the manner in which the TUC was "beginning to encroach" on the rights of unions to reach agreements, the AEU would remain a member of the TUC even if the code was approved by the general council.

Mr Eric Hammond, EETPU general secretary, told his union's national conference in Scarborough yesterday that the EETPU was prepared to "break every rule in the TUC book" in support of its members.

Mr Hammond denied the accusation that the EETPU's activities were against the general interests of unions, arguing that it was "the failures and indecisions of the majority" that had brought the union movement into disrepute.

The TUC's special review body also toughened a clause in the code of practice covering the signing of single-union agreements without strike-free clauses, compelling unions to notify the TUC of such deals "at the initial stage of discussions."

The amendment, proposed by Miss Brenda Dean, general secretary of the print union Sogat '82, was passed by a 10 to 4 majority. The draft code had previously not specified how quickly the TUC should be notified.

The general council is expected tomorrow to suspend the EETPU for refusing to comply with an instruction to withdraw from two strike-free agreements, at Orion Electric in South Wales and two Christian Salvesen depots.

The suspension – and the simultaneous hardening of the code of practice to prevent other TUC unions imitating the practices of the EETPU – is likely to create a damaging split with the union movement.

Kinnock moves to counter party critics

BY CHARLES HODGSON

MR NEIL KINNOCK yesterday moved to counter charges of authoritarianism in his leadership of the opposition Labour Party by assuring constituency parties and trade unions there would be wider consultations in the party's current policy review.

Mr Kinnock met union leaders and the joint conveners of the seven policy review groups to discuss the implementation of the second phase of the review process, designed to draw up new policies for the next election.

Promising much wider consultation in the next phase, which will follow the October party conference assuming it endorses policy guidelines laid down in the first phase, Mr Kinnock said party members would be invited to a series of one day-conferences devoted to each of the seven review areas.

The 633 constituency parties will be sent "education kits" on the review, which among other things covers defence, the economy and relations with trade unions, and encouraged to submit their own ideas.

Yesterday's meetings, arranged some time ago, followed increased criticism of Mr Kinnock's leadership style in the conduct of the review from left wingers in the party and union leaders and the resignation last week of Mr Denzil Davies, Labour's defence spokesman, who claimed he had been ignored by Mr Kinnock in setting out Labour's new defence strategy.

In his talks with the review group conveners, Mr Kinnock hit out at "contrived cynics" in the party who had approached the review with an attitude of "preemptive disappointment".

This was seen as a clear reference to supporters of Mr Tony Benn and Mr Eric Heffer who are mounting a hard-left challenge to Mr Kinnock and Mr Roy Hattersley for the leadership and deputy leadership respectively.

Earlier, Mr Kinnock urged union leaders at a separate meeting to "go out and sell" the review to their members. Party officials said there had been no criticism of Mr Kinnock's leadership style at the talks, which were described as "very amicable".

Union leaders on the Labour-TUC liaison committee said they had expressed interest in proposals on workers' rights and called for wider debate on the implications of the creation of the common internal market in the European Community market in 1992 and on the future of nuclear power.

Mr Benn yesterday returned to the attack in the leadership contest, outlining a five-point peace policy. Speaking at the Aslef rail union conference at Blackpool, Mr Benn insisted that Labour should adhere to its policy of unilateral nuclear disarmament and undertake to pull Britain out of Nato.

Meanwhile, Mr Ron Davies MP announced yesterday that he would challenge Mr Derek Foster for his post as Labour's chief parliamentary manager, following criticism of Mr Foster's handling of relations with Government business managers.

Mr Davies expects support from the 80-strong Tribune Group in the election, which will probably be in November. Mr John Maxton, a senior spokesman on Scottish affairs, and Mr Jeff Rooker, Labour's housing and local government spokesman, are also expected to stand.

Union rolls fall more slowly

By John Gapper

THE FALL in the membership of trade unions affiliated to the Trades Union Congress continued last year but slowed significantly, according to TUC figures released yesterday. Total membership in December was 9,126,911, down 116,386 on the previous year's figure.

The TUC emphasised yesterday that the fall was the smallest since the election of Mrs Margaret Thatcher's Government in 1979, and pointed to gains by several large affiliated unions. The overall fall between 1985 and 1986 was about 342,000.

UK NEWS

Building society and bank lending still rising fast

BY SIMON HOLBERTON

BANKS and building societies continued to lend at a rapid rate in May and the Treasury's money-supply target remained above its desired range, according to official figures released yesterday.

Financial markets, which have been buffeted by recent economic indicators, were largely unmoved by the Bank of England's provisional figures for money-supply aggregates and lending.

Prices for long-dated gilt-edged securities improved slightly on the back of a rise in bank/building society lending of £5.7bn, against a rise in April of £8.2bn and an average for the past six months of £6.1bn.

The markets were focusing on a possible rise in UK base rates. Although yesterday's money figures were marginally better than expected, there was nothing in them that made independent economists believe the authorities would not want to raise rates if the level of sterling permitted.

Analysts said the figures confirmed that bank and building society credit growth remained strong. Lending by banks was up 27 per cent on a year ago, while lending by banks and building societies was up 22 per cent.

The non-seasonally-adjusted figures showed that the Treasury's targeted monetary variable, M0, the narrow measure which mostly includes notes and coins in circulation, rose by 0.1 per cent in May to produce an annual rate of 5.7 per cent. Its six-monthly growth rate expressed as an annual rate rose by 5.5 per cent.

The Treasury's target range for M0 is for growth by between 1 per cent to 5 per cent a year. The Treasury said it pointed out at the time of the budget that M0 would grow faster than its target in the early months of the new financial year and that it expected it to come within its target range later in the year.

In May, M3, the broad measure of money supply, grew by an annual rate of 18.4 per cent after a 1.2 per cent rise during the month, while M4, the broader measure of money which includes building society lending, rose by an annual rate of 16 per cent after a 1.2 per cent rise during the month.

M25 shop centre planned

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

TRAFALGAR HOUSE Developments, part of the shipping, construction, energy and property group, has applied for planning permission to build a 750,000 sq ft (70,000 sq metres) shopping centre on the northern side of the M25 London orbital motorway.

This brings to seven the number of proposals for shopping centres near the M25 and will intensify the debate about property development in the south-east region.

The Trafalagar House proposal is for a 24 ha site in Hertforshire. The ultimate decision on whether it will go ahead is in the hands of Mr Nicholas Ridley, the Environment Secretary.

Lisa Wood examines a renewed debate on how to tackle alcohol misuse among those 18 to 24-year-olds

Higher taxes on drink may not worry the hooligans

ALCOHOL problems among young people in Britain are not new, they have just become more visible.

In Liverpool in 1877, for instance, 350 childen aged 12 or under were found drunk and incapable on the streets.

But the greater visibility was highlighted last week, as drunken British hooligans were flashed onto television screens around the world. With this higher profile has come increased pressure on the Government to tackle alcohol misuse.

It is not clear whether consumption is rising or falling among 18 to 24-year-olds, the age range within which many of the troublemakers are found. According to Public Attitude Surveys, the market research organisation, the average beer consumption of 18-24 year olds who said they drank at all was 12.2 pints (about 7 litres) a week in 1980. Last year this had dropped to an average of 11.1 pints.

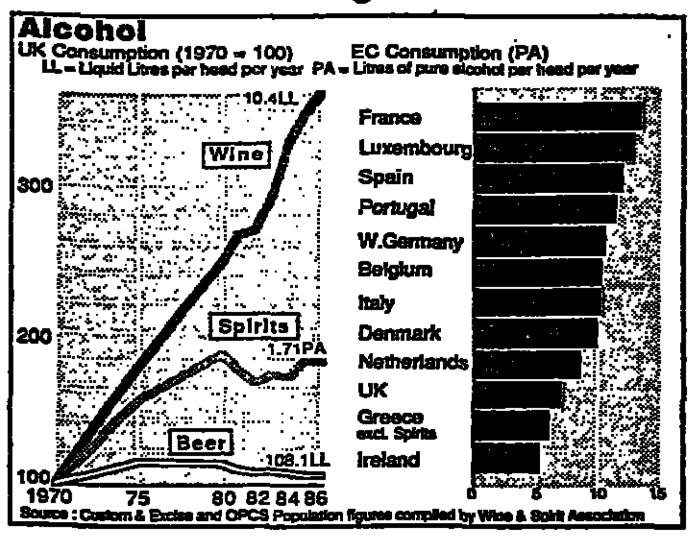
However, it is difficult to draw straightforward conclusions from such data. Although young people are major consumers of beer, PAS has no comparable volume data for wine and spirits.

Among the population as a whole, average alcohol consumption has doubled since the Second World War, although the drinks industry points out that per capita consumption in Britain peaked in the late 17th century.

At an estimated 7.1 litres of pure alcohol (lpa) per capita in 1986, the British appear relatively abstemious, ranking 23rd in the international league table – well below countries such as France, consuming 13.21 lpa per capita, and West Germany, with 10.5 lpa.

It is impossible to be precise about who drinks what, but The Drink Pocket Book, due to be published next week by NCT *Publications*, suggests that the young, aged 15 to 24, are much less frequent drinkers than 55 to 64-year-olds. The young do provide, however, the biggest market for Continental style lager beer on tap – the drink associated with a meeting of the lads in the pub – and vodka and white rum are their preferred *spirits*.

Worries about misuse among the young are obviously part of a much wider concern about alcohol consumption and its effects. The debate about how to tackle the problems associated with drink has rumbled on in Britain over most of the past decade, with organisations such as the *British Medical Association* urging a considerable increase in taxation.



During the past year the debate has intensified, the catalyst being the Government's proposal, now law, to extend licensing laws in England and Wales to allow pubs to stay open all day. The move has many critics, *including those who unsuccessfully* asked the Government to pay for more research into the impact of extended hours in Scotland where this has already been practice.

However, it was the Home Office Standing Conference on Crime, chaired by *Lady Masham*, which last year enlivened the debate over misuse with its examination of alcohol and the young.

There was consternation in the drinks and advertising industry when the Masham report suggested, among other things, a ban *on drinks advertising* on television and cinema screens.

The report's arguments were considered by a ministerial group set up last year by the Government, under the chairmanship of Mr John Wakeham, leader of the House of Commons. His brief was to consider the Government's *strategy on alcohol*, although some critics claimed his committee was a quid pro quo for the proposed liberalisation of licensing laws.

The Advertising Association, defending the £200m spent annually on drinks advertising, prepared a hasty submission to the *Wakeham Committee*. Advertising did not persuade people to drink more, it claimed. Rather, it was about brand share. The association pointed out that between 1980 and 1986 advertising expenditure had increased by 21.1 per cent but per capita consumption had actually decreased by 3.6 per cent.

The association's arguments must have been persuasive. Mr Wakeham said: "We discussed banning advertisements but nobody could prove to me whether advertisements increased consumption or not."

His committee was nevertheless concerned about some alcohol advertising, including the use of humour in beer adverts, and asked the Independent Broadcasting Authority and the Advertising Standards Authority to take a fresh look at their codes of practice on the issue. They have yet to report back.

Until the recent publicity about hooliganism, industry observers had thought that the broadcasting authorities might suggest only a little fine tuning. However, a more profound examination may now be sought by the Wakeham Committee given that beer advertisements, particularly those for lager, tend to be directed at 18 to 24-year-old males with a high disposable income.

It is the high disposable income of this group that dampens the potential efficacy of increasing duty on alcohol.

RAF takes delivery of Brazilian trainer aircraft 18 months late

BY DAVID WHITE, DEFENCE CORRESPONDENT

THE FIRST of the Royal Air Force's new Brazilian-designed basic trainer aircraft has been delivered about a year and half late.

RAF instructors at the Central Flying School in Lincolnshire, eastern England, received their first Tucano T1 last Thursday.

The notoriety of delays in the £125m programme is known to have caused not only embarrassment at Shorts but also some anxious questions recently from 10, Downing Street, the prime minister's residence.

In the circumstances, Ministry of Defence officials have found satisfaction in the unprecedented terms set for the purchase, which stipulate a fixed price payable only on delivery.

This means that no money changed hands until last Thursday. Against this financial saving, however, the RAF has had to cover the cost of extending the use of its elderly Jet Provost trainers, amounting to several hundred thousand pounds.

The order for 130 Tucano aircraft, made under licence from Embraer of Brazil, was made in April 1985 after a hard-fought battle involving British Aerospace's PC-9, derived from the Swiss Pilatus PC-7. Other competitors were the Australian A-20 Wamira and the British-designed Firecracker.

Five merchant banks 'could be global investment groups in 90s'

BY DAVID LASCELLES, BANKING EDITOR

FIVE UK merchant banks groups have the makings of international investment banking groups in the 1990's, according to a new study of City of London institutions.

They are S.G. Warburg Group, Morgan Grenfell, NatWest Investment Bank, Kleinwort Benson and BZW, the Barclays bank subsidiary, says Databank, the international research firm.

These groups, the report says, should be able to develop strong global distribution and trading capabilities, although they will need substantial amounts of capital to compete on a global scale and meet their customers' needs.

Other UK merchant banks will fall into four separate groups in the next decade. These are national investment banks able to deliver a wide range of wholesale services to mainly British customers; medium-sized merchant banks providing a narrow range of international services; regionally-oriented banks serving small-medium sized companies; and wealthy individuals in the UK, and independent boutique firms.

The report predicts that the creation of the single European Community market in 1992 will have three effects. It will raise the level of competition, improve efficiency in the delivery of services, and produce a different approach by governments in conducting their macro-economic policies.

This will have a high, medium-term impact on merchant banks, the report says.

● Chase Manhattan Securities, the London securities arm of the New York bank, has made 31 people redundant as part of its drive to save money after the stock market crash, writes Our Financial Staff.

Seven temporary staff are also to be laid off, and three other people will be transferred to other parts of the group.

The redundancies bring to 81 the number of full-time jobs lost at Chase Manhattan Securities since the crash.

The latest losses are in the back office, settlement side of the bank's private client department. Chase said the redundancies resulted from lower volumes and the need to cut costs.

**British Merchant Banks 1988: Competitors Report, Databank, 26/40 Kensington High Street, London W8 4PF. £1400.*

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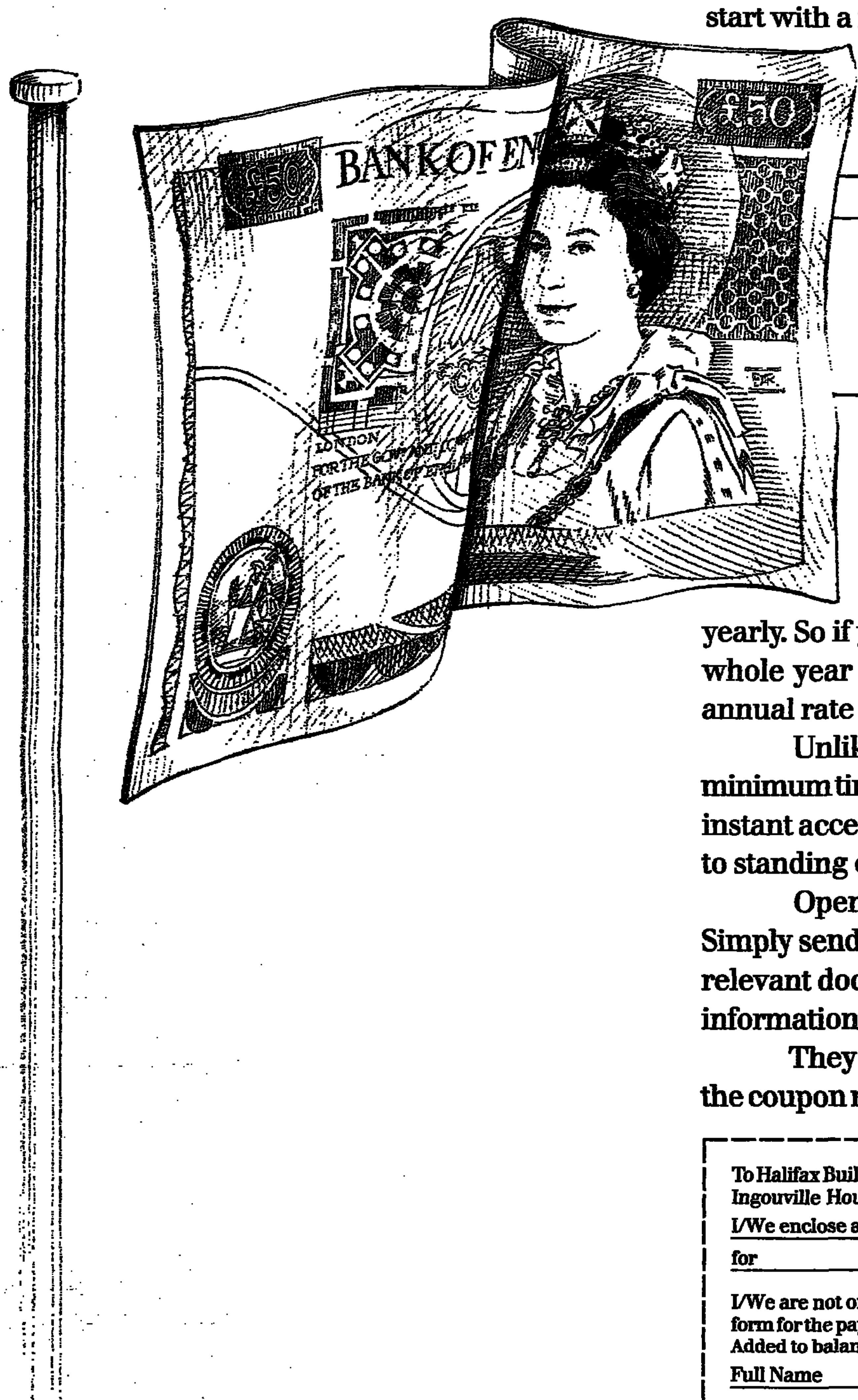


The Halifax, the World's biggest building society has set up a high interest, no fuss investment opportunity in the Channel Isle of Jersey.

Called HALIFAX DEPOSIT INTERNATIONAL it's a sterling based deposit account open to all those not ordinarily resident in the UK.

If this includes you, then your investment can start with a minimum of £1,000 at the substantial rate of 7.75%. From there the interest rate rises on the whole investment as your balance steps up as follows:-

AMOUNT	INTEREST RATE	C.A.R.*
£1,000	7.75%	7.90%
£10,000	8.25%	8.42%
£25,000	8.75%	8.94%
£50,000	9.00%	9.20%

If adding or withdrawing money alters your balance band, the interest rate is automatically adjusted.

Your interest is paid gross without tax deducted, and is added twice yearly. So if you leave your full interest intact for the whole year you will receive a higher compounded annual rate (C.A.R.*).

Unlike some other accounts there is no minimum time limit for your deposit, and you can have instant access with no penalties. You're even entitled to standing orders and direct debits.

Opening the account is just as fuss-free. Simply send us a cheque. We'll then send you all the relevant documentation, or if you would like more information telephone Jersey (0534) 59840.

They say time is money. A little time sending in the coupon now will be time well spent for the future.

To Halifax Building Society, International Investment Unit, Ingouville House, Ingouville Lane, St. Helier, Jersey, Channel Islands.

I/We enclose a cheque/money draft no

for (minimum deposit £1,000).

I/We are not ordinarily resident in the U.K. Please send the declaration form for the payment of gross interest. I/We would like the interest to be: Added to balance ☐ Paid half yearly ☐

Full Name

Title

Address

Nationality Tel No

This sum is being invested in HALIFAX DEPOSIT INTERNATIONAL by me/us as sole/joint beneficial owner(s).

Signature Date

001/006/03

HALIFAX

THE WORLD'S Nº 1

Halifax Building Society, International Investment Unit, Ingouville House, Ingouville Lane, St. Helier, Jersey, Channel Islands.

Copies of the last audited accounts are available on request. Halifax Building Society's registered office is in Halifax, U.K. Rates can be variable and are correct at time of going to press.

UK NEWS

Power chief envisages new roles for privatised boards

BY PHILIP BASSETT, LABOUR EDITOR

THE GOVERNMENT'S planned privatisation of the electricity supply industry will allow the resulting private sector supply companies to expand their operations extensively into parallel commercial activities, an electricity board chairman said yesterday.

Mr Donald Miller, chairman of the South of Scotland Electricity Board, welcomed the "radical change" offered by privatisation, which he said would "free us from many of the controls and constraints which have held us back in the past and which have prevented us taking advantage of our place in the energy market."

Speaking in Scarborough, north east England, to a conference on electricity supply organised by the EETPU electricians' union, the industry's largest, Mr Miller said privatisation would provide electricity boards with "new marketing and sales opportunities for expansion into areas *of activity which have been* closed to us before."

He made it clear the board is taking as its model Tractebel, Belgium's electricity holding company, which has diversified interests spanning from London to Peking.

At present, however, he said, the SSEB was "constrained by statute from using its expertise and that of its employees to create new jobs or expand its activities in many of the fields covered by Tractebel."

Donald Miller: prospect of radical change

Among the new, post-privatisation operations being considered *by the SSEB are:*

- extending its contracting work to well beyond its current operating value of £8m annually;
- increasing its ability to put together packages to attract inward investment, such as its efforts to persuade the Finnish paper company Kymmene-Stromberg to set up the new Caledonian Paper mill at Irvine;
- developing and implementing new fuel use systems by taking advantage of the board's current knowledge of electrical design and installation, and of generation;
- possibly moving *directly into* the manufacturing of electrical appliances, which would require a considerable increase in workforce size. This move might build on the development by the SSEB's research laboratories at East Kilbride in Scotland of the first compact system of electrically powered, water-heated domestic radiators.

Mr Miller said that the only prerequisite for expansion was the ability to produce and sell electricity at the lowest possible price.

Referring to the SSEB's running dispute with *British Coal* about pricing, which some in Scotland have seen as threatening the future of the entire Scottish coal industry, Mr Miller said: "Just as we have to respond to market forces in our sales, with no other weapons than economic *cost and good quality service,* so must British Coal appreciate that they too are now facing market forces."

Other coal suppliers were able to provide coal to the board at prices 30 per cent lower than British Coal, he said. However, he added: "I have to say that not all our fuel suppliers have yet fully grasped the point that there is a market there for them – but only if they grasp it by offering us competitively priced fuels."

Birmingham council bids for satellite concession

By Richard Tomkins, Midlands Correspondent

BIRMINGHAM *City Council* has taken the unusual step of joining a consortium of private sector companies in a bid to win a licence to operate a specialised satellite service from the city, it emerged yesterday.

The consortium, called Starlink Programme Services, is one of 27 groups competing for six satellite service licences to be granted by the Department of Trade and Industry later this summer.

Birmingham believes it is the only local authority to have entered the bidding. Other bidders include the Stock Exchange, Reuters, Thorn EMI, and businesses run by Mr Robert Maxwell and Mr Rupert Murdoch.

The licences are being awarded as part of the Government's policy of liberalising the *telecommunications* market. They will allow operating companies to provide facilities for sending one-way traffic to specialist audiences, something which is at present a British Telecom and Mercury duopoly.

An example of the type of services they may offer is the one already operated by SIS, a UK company using British Telecom transmitters, which collects television signals from racecourses and sends them to betting shops.

Birmingham City Council said other members of the Starlink consortium included several key players from the communications industry and related fields. The company hoped to provide services to businesses in leisure services, it said, but would not elaborate further.

The council is hoping that a successful bid will help put it on the map as an important national centre of the telecommunications and audio visual media industries. It said the fixed earth station would be built in an inner city area, providing about 150 jobs.

The council's economic development committee had pledged its commitment to Starlink, it said, and subject to a business proposal being approved, would offer financial and practical support to the project.

Chemicals firms to be polled on skill shortages

By Peter Marsh

THE CHEMICALS Industries Association is to poll its members about what appear to be growing skill shortages in the sector.

Mr John Cox, director general of the association, which represents 200 companies in Britain's generally expanding chemicals industry, said more companies in the industry seemed to be encountering problems in recruiting specialist staff in fields such as chemistry and chemical engineering.

The survey of members should shed more light on companies' *precise difficulties and what, if* anything, could be done about the problem.

Commercial rents up in Midlands revival

RICHARD TOMKINS, MIDLANDS CORRESPONDENT

RELOCATION from London and the south-east of England, combined with a booming service sector, is putting heavy pressure on the commercial property market in the Midlands centre of Birmingham, Britain's second biggest city, according to a leading chartered surveyor.

Debenham Tewson Chesshire says in its 1988 review of the Birmingham property market that office rents for prime sites have already breached the £10 per sq ft mark and that pre-lets of buildings under construction are approaching £12 per sq ft.

It says the industrial and retail property markets are also buoyant, reflecting confidence in the regional economy. Rents for the best modern factory space have risen from £3.25 to £3.75 per sq ft and are set to rise above £4.00, while the demand for retail accommodation is now outstripping supply.

Debenham Tewson says Birmingham is at the northern point of the relocation arc above the south-east. It predicts that the completion of the M40 motorway will bring a much wider spread of commercial development to the area over the next few years.

The Debenham Tewson Chessire Report; Debenham Tewson Chessire, 10 Colmore Row, Birmingham B3 2QD; free.

FT LAW REPORTS

Shipowners' unreadiness leads to cancelled contract

FERCOMETAL SARL v MEDITERRANEAN SHIPPING CO SA. House of Lords (Lord Bridge of Harwich, Lord Templeman, Lord Ackner, Lord Oliver of Aylmerton and Lord Jauncey of Tullichettle): June 16 1988

CHARTERERS WHOSE premature cancellation of the charterparty is justifiably rejected by the shipowner, are not deprived of their contractual right to cancel subsequently upon the owner's failure to give notice of readiness by the appropriate cancellation date, in that non-acceptance of the repudiation is an affirmation of the contract and the owner is not absolved from further performance despite continuation of the charterers' repudiatory attitude.

The House of Lords so held when dismissing an appeal by Mediterranean Shipping Company SA, owners of the Simona, from a Court of Appeal decision *[1987] 2 FTLR 254* that charterers, Fercometal SARL, had not lost *their right to cancel the charterparty.*

LORD ACKNER said that a charterparty for the carriage of steel coils in the Simona provided that should the vessel not be ready to load on or before July 3/9 1982, the charterers had the option of cancelling.

There was no contractual obligation on the owners to commence loading by the cancellation date.

On July 2 the owners requested an extension of the cancelling date, so as to cover the loading from July 13-16.The charterers stated that the proposed new loading dates were not acceptable and that accordingly they were cancelling the contract.

It was common ground that the charterers' action in purporting to cancel was premature. It constituted an anticipatory breach and repudiation of the charterparty, because the right of cancellation could not be validly exercised until arrival of the cancellation date seven days hence.

It was equally common ground that the repudiation was not *accepted by the owners. On July* 5 they telexed that the Simona would start loading on July 8.

The charterers did not by that stage trust the owners. They preferred to fix the Leo Tornado.

Later on the same day the owners again notified the charterers that the Simona would be ready to load steel on July 7 or 8.

On July 8 the Simona arrived in the morning and tendered notice of readiness. The charterers rejected the notice and began loading into the Leo Tornado. The notice of readiness was in fact false, because the owners were not able immediately to load the charterers' cargo; they were loading other cargo.

On the following day the owners telexed the charterers that the vessel was now open for charterers' cargo, ie the vessel was free of other engagements. That *again was incorrect. Other cargo* was still being loaded on the vessel.

On July 12 the charterers sent a further cancellation notice.

The owners' claim to dead freight in arbitration proceedings succeeded. The basis of the arbitrator's decision was that the charterers waived any requirement of notice of readiness, in view of their intention not to load the vessel on the Simona in *any event.*

He said the law did not require a party to perform empty formal gestures where the other party had manifested an unequivocal intention not to perform the contract in any event (see *Braithwaite v Foreign Hardwood Co [1905]KB 543*).

The charterers appealed. Mr Justice Leggatt allowed the appeal on an issue relating to burden of proof. In the Court of Appeal the argument centred on whether, applying *Braithwaite*, the charterers had lost their right to cancel as a result of their prior unaccepted repudiation.

When one party wrongly refused to perform obligations, that would not automatically bring the contract to an end. The innocent party had an option. He might either accept the wrongful repudiation as determining the contract and sue for damages, or he might *ignore or reject the* attempt to determine the contract and affirm its existence.

In *Frost v Knight(1872) LR 7 Ex 111,112-3* Chief Justice Cockburn said that if a promissee treated notice of intention not to perform as inoperative "he remains subject to all the obligations and liabilities under it, and enables the other party not only to complete the contract...but also to take advantage of any supervening circumstance which would justify him in declining to complete it".

And in *Heyman v Darwin (1942] AC 356,361* Viscount Simon said that if one party refused to accept his co-contractor's repudiation "the co-contractor has the opportunity of withdrawing from his false position, and even if he does not, may escape ultimate liability because of some supervening event not due to his own *fault which excuses or puts an* end to further performance".

If those well-established principles were applied, the charterparty survived intact with the right of cancellation unaffected, in that the charterers' anticipatory breaches had not been accepted by the owners as terminating the contract.

The owners relied on *Braithwaite* as an escape route from the principles. They contended that in that case the Court of Appeal established that a party who did not accept the other's repudiation was thereby absolved from tendering further performance while the repudiatory attitude was maintained.

In *Braithwaite* the defendants wrongly repudiated a contract to buy rosewood from the plaintiff. The plaintiff sold the goods on the best terms possible and claimed to recover the difference between the contract price and the selling price. It subsequently came to the defendants' knowledge that a portion of the rosewood did not answer the contractual description of quality.

Sir Richard Henn Collins MR said the defendants' act " amounted to a waiver by them of the performance by the plaintiff of the conditions precedent . . .it is not competent for the defendants now to hark back and say that the plaintiff was not ready and willing to perform the conditions precedent devolving on him".

When *Braithwaite* came to be considered by the Court of Appeal in *Taylor v Oakes, Roncorni (1922) 127 LT 267* it was treated as a case in which the wrongful repudiation had been accepted. Lord Justice Bankes said "the decision merely means that a buyer cannot justify his refusal of...goods under the contract, by proving that if he had not refused, the goods when delivered would not have been in accordance with the contract".

In *Esmail v Rosenthal [1964] 2 Lloyd's Rep 447* Lord Justice Salmon said that in *Braithwaite* the contract came to an end before the sellers' had committed any breach. He said "What might or might not have occurred had there been no total breach by the buyers accepted by the sellers could not affect the issue of liability".

Therefore, the decision in *Braithwaite* was not an authority for the proposition advanced by the owners. Alternatively, if it was, it was wrong.

When A wrongfully repudiated his contractual obligations in anticipation of the time for their performance, he presented the innocent party B with two choices. He might either affirm the contract by treating it as still in force or he might treat it as finally and conclusively discharged.

There was no third choice to affirm the contract and yet be absolved from tendering further performance unless and until A gave reasonable notice that he was once again able and willing to perform.

Such a *choice would negate the* contract being kept alive for the benefit of both parties and would deny the party who unsuccessfully sought to rescind, the right to take advantage of any supervening circumstance which would justify him in declining to complete.

There was a total lack of material to show that the owners, because of the charterers' repudiatory conduct, viewed the cancellation *clause as other than* fully operative and therefore capable of being triggered by the vessel's not being ready on time.

The non-readiness of the vessel by the cancelling date was in no way *induced by the charterers'* conduct. It was the result of the owners' decision to load other cargo first.

In affirming the continued existence of the contract, the owners could *only* avoid operation of the cancellation clause by tendering the vessel ready to load on time (which they failed to do), or by establishing (which they could not) that their failure was the result of the charterers' c+nduct in representing that they had given up their option.

The appeal was dismissed.

Their Lordships agreed.

For the owners: Stuart Boyd QC and Adam Fenton (Lloyd & Co)

For the charterers: David Donaldson QC and Hugo Page (Holman Fenwick & Willan)

Rachel Davies
Barrister

APPOINTMENTS

Changes at Saatchi & Saatchi

SAATCHI & SAATCHI CO has appointed Mr Herb Rowland, chairman of the Rowland Company in New York, and Mr Alan Capper, chairman of Granard Rowland Communications, joint chairmen of the Rowland Company Worldwide, the Saatchi international public relations company. Mr Rowland also becomes chief executive officer and Mr Capper chief operating officer. Mr Mitchell Kozikowski, formerly chairman and chief executive officer of Creamer Dickson Basford Inc, the public relations unit of WCRS Group, has been appointed president of the New York office of Rowland Company Worldwide and will join the international board. Mr Alasdair Sutherland, deputy managing director of Kingsway Rowland in London, becomes business development director Europe.

★

Mr Graham H. Mack is the new chairman of the ALEXANDRIA TOWING COMPANY. Mr Mack was elected a director in 1960 and managing director in charge of finance in 1972 and became sole group managing director in 1983. Mr Henry Bicket, the former chairman, continues as a non-executive director. The company secretary, Mr G. Gilbert, is to retire at the end of July. His successor will be Mr D.J. Naylor who will be based at the company's Bow Lane, London, offices.

Mr Ian Bullough, joint managing director of Bulloughs (Carlisle), has been appointed chairman of THE DRAPERS CHAMBER OF TRADE.

★

Mr Michael George Warner, formerly of Gamble Cook and Warner, has been appointed a director of JARVIS BROTHERS & BREWSTER (CONSTRUCTION), a wholly-owned subsidiary of the British Land Company.

★

EVERED has appointed Mr Mike Wallis managing director of the quarry products division and a main board director. He was formerly president of Tarmac Roadstone (USA) Inc, Tarmac's wholly-owned *US quarry business.*

CONTRACTS

Sellafield reprocessing plant

A contract award for COSTAIN ENGINEERING has been for the project management and engineering *design of substantial* areas of the British Nuclear Fuels THORP project at Sellafield.

The contract, valued at about £20m, will run until September 1989. The company has been engaged on THORP (thermal oxide reprocessing plant) since 1981. The latest contract relates to the involvement of Costain Engineering over the past few years in the design of the reagents and decontamination *facilities*, utility *production* areas, building ventilation and active filter caves throughout the plant. The contract also involves equipment and plant associated with Costain Engineering's scope of work. When completed, THORP will reprocess spent fuel from AGR, PWR and BWR reactors.

★

WEIR ENGINEERING PTY, Australian subsidiary of the Weir Group, has won three orders, totalling A$19m (nearly £8m), to supply equipment to the State Electricity Commission of Victoria's Loy Yang "B" power station. A feature of one contract is that Weir will supply, install and commission four concrete volute main circulating water pumps which will be the largest of their type in Australia. Other orders include the supply of main condensers and air extraction pumps as well as forced draught fans complete with silencers and interconnecting ductwork. Contract delivery commences early 1990 through to commissioning of the first unit at the 500MW station in 1992.

★

JOHN BROWN E & C INC., a Trafalgar House company, has been awarded a $7m (£3.9m) contract for a polypropylene compounding facility by El Paso Products Co, US. The unit will be at the Odessa, Texas, chemical plant and includes additive feeder technology and a mixer melt pump. The project is scheduled for completion during the second quarter of 1988.

★

The MOTHERWELL BRIDGE GROUP has won over £15m worth of UK orders for products ranging from small bulk liquid LPG vessels to major hull sections for nuclear submarines. Motherwell Bridge has received two orders worth almost £3m for five spherical storage vessels, the largest being 67 ft in diameter. They will store liquified propane and butane under pressure.

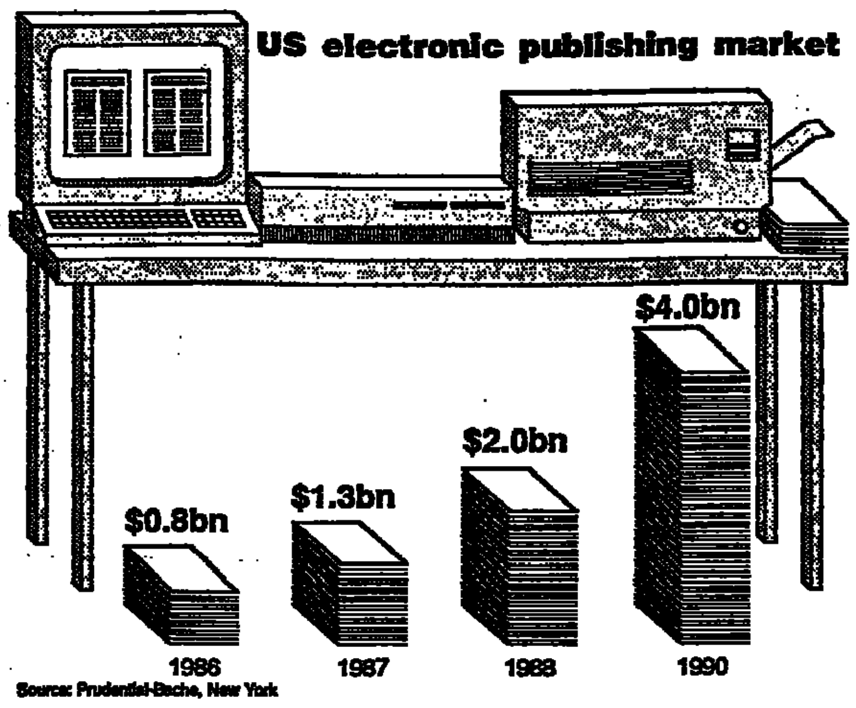
A further £1.75m is for storage tanks which will be installed at a number of locations in the UK. A significant element of the orders is the inclusion of the newly-designed Motherwell Bridge "Geodesic Dome".The dome is designed to fit onto the top of a tank creating a seal and preventing the loss of expensive product into the air.

An additional £2.5m has been placed for vessels, extending from the standard LPG vessels which are produced on three production lines at Motherwell to the large specially built pressure vessels weighing over 200 tons.

The remaining order at almost £8m awarded by V.S.E.L. (Vickers *Shipbuilding & Engineering*, Barrow-in-Furness) is for the components for the nuclear submarine programme.

Publishing becomes an inside job

Paul Abrahams explains how electronic publishing is enabling companies to produce all their documents in-house



Source: Prudential-Bache, New York

COMPANIES without any connection with the printing industry are installing editing and typesetting equipment in their offices.

Electronic publishing is expanding rapidly in the US and analysts believe the market is set to take off in Europe.

"Europe is about two years behind the US at the moment," says B. Alex Henderson, a vice president at Prudential-Bache, the New York analysts. "And though it's difficult to quantify the market, things are beginning to move quickly."

One of the reasons why the electronic publishing industry is so difficult to analyse is the breadth of applications. It can encompass anything from simple desk top publishing (DTP) of newsletters in one-man companies to the publication of 1,000-page technical documents by multinational corporations.

Large organisations, particularly those concentrated in the automotive, petrochemical and aerospace industries, are using electronic publishing systems to produce technical manuals, sales literature, brochures, internal reports and newsletters.

"Companies have begun to realise that they are spending significant quantities of money on publications," says Marcel Kreisberger, director of Xyvision, the Massachusetts-based supplier of electronic publishing systems. "Even if publishing amounts to only 1 or 2 per cent of annual turnover, then large multinationals are *still* spending millions of dollars a year."

Until recently most corporate publications were produced outside company property. Text was generated in-house and then re-entered at a commercial printer's premises on to typesetting machines. These produced columns of type which were pasted up as pages ready for printing. Because of the possibility of typesetting errors, galley and page proofs had to be checked laboriously.

However, a number of UK companies, such as the General Electric Company and Westland Group, as well as McDonnell-Douglas of the US and Aerospatiale of France, have now adopted electronic publishing systems.

One of the most important reasons for this change is the improved performance of the systems. Over the past two years, advances in technology have enabled computer assisted publishing systems to:

- Integrate text and graphics on the same page from a wide variety of sources. Existing information can be entered into the system from personal computers, workstations and mainframes. Hand-drawn graphics and photographs can also be inputted through scanners.
- Manipulate and edit complex technical drawings and text, which can be laid out as pages on screen.
- Store and allow swift access to text files and graphics on complicated, powerful databases, permitting easy interaction between the two.
- Output documents to laser printers or high quality typesetters.

All this means that computer assisted publishing is no longer the preserve of professional printers.

The adoption of electronic publishing has been accelerated by reductions in the price of the systems. An indication of the savings to be made is given by Peter Carr, a publications consultant in one the UK's leading computer companies. He says that although the advanced systems can cost up to £200,000, his company, which creates or changes 10,000 pages a year, should recover its investment within 2½ years.

A further advantage provided by in-house facilities is the speed with which documents can be prepared, compared with using external printing companies. Kreisberger, at Xyvision, claims that documents which would have taken three months can be produced in less than 18 days. Once organisations are no longer beholden to outside printers, they can decide for themselves which projects should have priority.

Kreisberger argues not only that products can be launched more quickly, but also that competitive advantage can be gained by writing and updating manuals and promotional brochures as the product is developed.

Moreover, he maintains that the ability to change documents easily, which is offered by these systems, has become increasingly important. This is partly because document management has become more critical, particularly in the technical area, where manuals tend to be bulky and complicated. He gives a daunting example of the documentation for a jumbo jet: it is heavier than the aircraft itself and needs to be updated continually during the aeroplane's life.

Another reason given for the expansion of corporate publishing is its value in promoting corporate image. Kreisberger points out that centralised in-house facilities allow companies to project this more coherently.

He also states that a centralised system can regulate and monitor output. This prevents the distribution of unauthorised documents — a growing problem as the introduction of laser printers enables individuals to send out increasingly official-looking and seemingly authoritative papers. Tight control of the in-house system, coupled with dispensing with outside printers, virtually eliminates the risk of an information leak.

However, despite the advantages of electronic publishing, manufacturers, analysts and customers complain of confusion in the market place.

"There is a real shortage of information about the European market," says Derek Terrington, an analyst at Phillips & Drew, the London-based stockbrokers.

Potential customers are perhaps the most bewildered. Not only is there the usual generic jargon, but each supplier uses its own vocabulary, for instance, describing the industry as office publishing, corporate publishing, departmental publishing, electronic publishing, computer assisted publishing or just DTP.

"Even some consultants are confused," says Claire Hanney, corporate publishing product manager at Monotype International, a Redhill-based manufacturer. "They really have very little idea about the market or what's on offer," she adds.

"The problem is one of expectation and reality," she says. "There has been a lot of confusion caused by the DTP element, which has been consistently oversold."

"DTP established the expectation of high performance in a low price bracket," says Emilia Knight, corporate marketing manager at Linotype, the West German manufacturer. "People were expecting to replace mainframes with PCs and were, of course, disappointed. We have to explain that their requirements are much greater than DTP and demonstrate the greater scale and complexity of our systems," she adds.

"Many companies have been disappointed by the output from DTP," says Hanney. "They didn't realise that electronic publishing is just a tool. They were putting word-processor operators behind the systems without any training and then expecting them to generate pages like graphic artists."

"The problem of training is gruesome," says Colin Cohen, technology manager at Kall-Kwik Printing, the Ruislip based printing franchise company which has installed 50 DTP systems in its shops.

"DTP is the best way of making something look awful. With typewriters and word processors the damage can be limited, but DTP can give the opportunity for full-blown design machismo. Operators need more than four-day courses to produce acceptable results," he says.

Tim Ewbank, a consultant at Peat Marwick McLintock in London, explains that although design issues will not disappear, the lower-end DTP market, using Apple Macintosh computers and sophisticated software, will expand rapidly over the next few years.

However, he believes that the market will grow fast enough to prevent any inroads Apple makes into the higher end of the sector from squeezing the suppliers of specialised electronic publishing systems too hard.

The main suppliers in the higher end of the industry, such as Kodak, Rank Xerox, Compugraphic, Xyvision, Interleaf, Monotype and Linotype, believe that they can maintain an important proportion of the business. They argue that companies must be taught to understand the benefits of electronic publishing systems, which deliver impressive performance but are not cheap.

"Some companies are even having to restructure their organisation to take advantage of the systems," explains Andrew Buxton, a manager at Compugraphic UK, based in Edgbaston.

"The problem is that no single departmental manager can afford to purchase a system on his own. The data centre manager might have to talk to the reproduction manager and refer the decision up to board level," he says.

"Some companies are even creating a new post called director of technology to cope with the problems of purchase and integration," he adds.

WORTH WATCHING

Edited by Geoffrey Charlish

Capturing the sun's power in a tube

SULZER, the Swiss power engineering group, is developing a solar power converter for an experimental power station at Almeria in southern Spain. The project is funded by the Swiss, West German and Spanish governments.

The three-metre-long tubular device, with a diameter of one metre, is rated at 200 kilowatts, but Sulzer has plans for larger units which could deliver 100 megawatts.

The unit produces steam, which is used to generate power in conventional turbo-alternators (of which Sulzer is a major supplier). At one end of the tube, the sun's rays are focused by external mirrors on to an assembly of 120 rings of fine wire mesh. Air drawn through the very hot mesh is heated to more than 800 deg C. The air moves into the cylinder where the intense heat is absorbed by water tubes to produce steam. Relatively cool air is emitted at the far end of the cylinder.

Between 60 and 70 per cent of the sun's energy is converted into heat energy in the steam and Sulzer hopes to raise this towards 80 per cent by changes in the absorber design.

Wax provides a golden opportunity

THE WEST German process engineering company, Degussa of Frankfurt, has developed machinery which allows the low cost manufacture of hollow, gold-plated jewellery using a wax core process.

The company sees the development as a logical addition to conventional gold jewellery manufacturing methods, such as solid casting and compression moulding. It is claimed that difficult shapes, which are impossible using other methods, can be produced.

Wax is injected into moulds, which are then removed. The wax cores are coated with a base metal and then gold plated. The cost advantages arise because less gold is needed than in solid casting, and because of savings on tools compared with compression moulding, especially with new designs of jewellery.

Planning and pricing become more flexible since pieces of jewellery can be produced in small numbers at relatively low cost.

To help potential customers make purchase decisions, Degussa is offering sample and series production on a contractual basis.

Chemicals sandwich lights up displays

TWO US companies, 3M of Minnesota and Roger Corporation of Connecticut, are forming a joint venture, called Durel Corporation, which will make and market electroluminescent lighting panels. Durel will have be based in Tempe, Arizona.

Both companies have technical expertise in electroluminescence, a technology in which chemicals sandwiched between plastic sheets light up when an electric current is passed through them. Applied to products like car instrument panels, the cost of complex wiring to individual light bulbs can be eliminated. Instrument panels no thicker than 10 sheets of paper can be produced.

Visibility by numbers

DISPLAY numbers up to 2ft tall and readable from distances of nearly 1,000 ft are being supplied by UK company Forest City of Altrincham, Cheshire.

Each unit has seven mechanical segments that reveal either a black or a fluorescent surface allowing any number from 0 to 9 to be presented. Each segment is changed by a short electric pulse that produces a magnetic field to move it to the other position.

First applications have been in the road freight industry to call lorries to numbered bays.

New services for US users

US TELEPHONE company Bell Atlantic, which operates in several eastern states including Virginia and Pennsylvania, is to introduce additional services to customers following district court decisions that lift restrictions.

One service will offer telephone answering, relieving customers of the cost of buying a machine. Instead, the equipment is located in the public exchange and will intercept calls when a line is busy or when there is no answer. Customers will be able to activate the service from their touch-tone telephone or retrieve messages callers have left by depressing a few keys.

Another new service allows customers equipped with a personal computer and modem (data send/receive device) to reach many of the databases offered by information providers. Access to these information stores is made easier since the customer just dials one telephone number, followed by an access code, and does not have to establish a separate billing account with each database company.

Late this year, Bell Atlantic also plans to test market a voice mail service. A spoken "letter" will be sent by recording it into a central telephone company mail box. The recipient will be able to hear it when he or she chooses and to send a reply without having to dial the caller's number.

Private circuits lose their edge

INVESTIGATIONS carried out by Octagon Telecommunications Services, of London, a consultancy and market information group, have concluded that many UK companies may be using private telecoms circuits that are no longer economic.

Octagon puts the number of private lines in use in the UK at 1m, many of which were installed at least five years ago. At the time, they offered considerable cost reductions over public switched services, but today many of the ones which are more than 200km long need to carry three or four times as many calls to remain competitive.

An analysis of the situation is contained in the latest issue of the Octagon Guide to Telecoms Tariffs. The guide also compares British Telecom with its rival, Mercury, identifying areas where the latter can provide cheaper services.

CONTACTS: Sulzer: Switzerland, 52 81 4070. Degussa: West Germany, 69 218 2960. 3M: US, (612) 733 2874. Forest City: UK, 061 969 0441. Bell Atlantic: US, (703) 974 5547. Octagon Telecommunications Services: London, 636 1991.

MANAGEMENT: Small Business

NINETEEN eighty-seven was a proud year for C & K Software, a small, Somerset-based supplier to users of IBM and IBM compatible computer networks. In July it was one of the winners of the Export Award for Smaller Businesses, a competition backed by the British Overseas Trade Board and a number of private sector organisations.

But it was was also a year in which sterling rose sharply against the dollar and the strong export performance which had gained C & K its award began to produce some painful side effects.

"We took a hammering,"says Andy Kenton, finance director and joint founder of the five-year-old company. "We based our business plan on the pound at \$1.60. By the end of the year it was over \$1.80. We suffered a loss of £40,000 on our earnings and that came straight off our bottom line."

Set against C & K's pre-tax profit of £600,000 on sales of £1.35m last year this looks bad but not disastrous. But the company was spending large sums on computer equipment and on new premises so the impact on cash flow was far more serious.

C & K's problem was that it worked out a price list for its products in sterling and converted these prices into dollars at what it thought was a sensible exchange rate. But as the pound firmed against the dollar through the year C & K's US sales were worth progressively less when converted back to sterling.

Kenton says he discussed ways of hedging his currency risk with his bank manager but was unable to find a solution. "I don't have firm contracts which I can take along to the bank to arrange currency cover," he explains. "We call on people and persuade them to take our products on a 30-day trial. At the end they may sign a contract. I can't forecast what my sales will be."

Currency fluctuations have been a source of anguish for exporters ever since the break-

Export finance

How to avoid the anguish

Currency fluctuations can wipe out profits. Charles Batchelor examines the solutions

down in the early 1970s of fixed exchange rates. For most of the intervening years British companies have been faced with a decline in the value of sterling, which has tended to benefit exporters, but sterling's strength for much of the past year has added a new dimension to the problem.

Managing currency fluctuations is difficult enough for the larger company; Pilkington, the glass-maker, last week revealed that currency movements wiped £26m off its profits. For the small exporter, with even fewer resources with which to manage its foreign exchange risk, the problem is magnified.

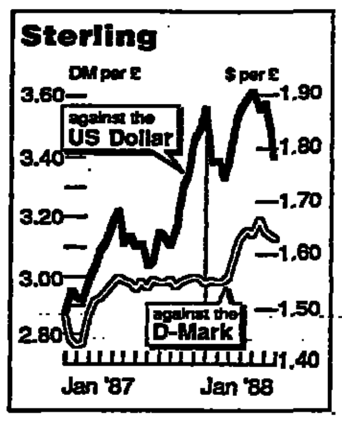
A survey carried out in April by the CBI revealed that currency fluctuations was one of the major problems facing small exporters.

British companies have traditionally solved the problem of volatile currencies by pricing their products in sterling - leaving their customers to take the currency risk.

However, sterling's declining role as a trading currency and increased competition from foreign companies prepared to quote in the local currency has meant fewer British exporters can afford to do this.

Smaller companies are however partly protected from these pressures because they often operate in niche markets where there is little competition and price is not a major factor in the buyer's thinking.

Procal Analytics, a Peterborough-based maker of equipment for analysing gases and liquids with turnover of just over



£500,000, makes 70 per cent of its sales abroad and prices its products in most markets in sterling.

"We don't think that pricing in sterling has lost us any orders but we keep in close touch with our agents about this," says Chris Daw, managing director. The only market where Procal has been forced to quote in another currency is Japan, where it prices in dollars.

The company does not try to hedge against possible exchange losses on its Japanese business because its margins are high enough to absorb currency movements and Japan is only a small part of its business. But Daw also feels that hedging the risks would complicate an otherwise straightforward trade deal. "We like to keep it simple here," he says.

However, not all research agrees with the findings of the CBI's report. A study published just over a year ago by the British Overseas Trade Board did not rate currency exposure a major problem. Graham Bannock, a consultant and author of the report, believes small companies have become quite sophisticated in dealing with fluctuating currencies.

It is also true that some exporters like to take a chance on the way currencies will move. Hedging currency exposure not only limits the risks; it also removes the chance of a windfall profit.

But what some businessmen regard as a reasonable punt looks, to those more familiar with currency markets, suspiciously like taking an unacceptable risk.

"Too many small companies take risks when they shouldn't," warns Stuart Bremner, a manager at Barclays Bank's George Street Branch in Luton, which handles a lot of export finance business. "They are prepared to take a view on a currency or they are frightened of what they see as the intricacies of hedging. I don't recommend it."

For companies which want to minimise their risks two of the most common options available are:

- Forward exchange contracts: These allow an exporter to fix the rate at which future payments in foreign currency will be converted into sterling, regardless of what happens to the exchange rate in the meantime.

This is the most common form of currency hedging. It has the advantages of simplicity – for both customer and bank – and does not normally involve the customer paying a charge in advance. The cost of the deal is covered by the rate the bank is ready to agree to for the future purchase of the currency.

The drawback of such contracts is that the exporter (or importer) is committed to supplying the currency agreed. If the export deal is cancelled for any reason he will have to buy the foreign currency at the going rate in the currency market.

- Option forward contracts: These also allow an exporter to fix in advance the rate at which his bank will buy a foreign currency but which permit the customer to deliver the currency anytime between two agreed dates rather than on one specified date.

These are particularly useful for exporters which do not know when they will receive payment. However, because the bank does not know precisely when it will receive the foreign currency, options are more expensive than forward exchange contracts.

Unlike a forward exchange contract, which must be fulfilled even if the export deal does not go through, an option forward contract can be allowed to lapse if currency movements are favourable. For this reason option contracts involve the payment of an advance fee by the exporter.

"Options are a bit technical but I can see them becoming as popular as forward exchange contracts," says Bert Alldis, chief manager in Lloyds Bank's customer services treasury division.

One company to negotiate an option contract was Prism Instruments, a St Ives, Cambridgeshire-based supplier of equipment for testing electronic components. It paid a fee of just under 4 per cent for an option contract from Barclays to cover the currency risk on \$100,000 of sales to the US.


Alan Harper

Robert French: had to price in dollars

Prism, which has annual sales of £1.5m and a workforce of 43, had previously priced all its exports in sterling. But to break into the US market and persuade a reputable local distributor to stock its products it had to price in dollars, Robert French, financial controller, explains.

This contract, which was negotiated on the advice of Prism's venture capital backer, Managed Technology Investors (MTI), meant Prism could guarantee a fixed price to its distributor for eight months. It has also meant that, despite sterling's rise against the dollar, Prism was not forced to raise its US prices.

The problem for the small company is that it often does not have the expertise in-house. And, while banks have been re-organising branch networks to target business customers, they do not always succeed in channelling advice to the small company.

The banks are reluctant to put together the more complex packages such as option forward contracts for exporters doing only small amounts of business.

But whatever the problems, as companies like C & K Software have found, doing nothing can also be costly.

£1m research project

FOR ALL THE attention paid to small business by governments, the private sector and academics in recent years there are still large gaps in the knowledge of its contribution to the economy and of how the small company can best be encouraged.

Some of this ignorance should be dispelled by an ambitious £1m research programme which is being funded by the Economic and Social Research Council. David Storey, director of small business research at the University of Warwick and co-ordinator of the project, hopes to raise a further £500,000 from other private and public sector sponsors to increase the scope of the research.

"This is the largest amount of funds ever to be provided to research small business in Britain," said Storey. "This dwarfs the funding available even to the Bolton Committee (which reported on small business in 1971). We want the research to be even more influential than Bolton because there are now more issues around. The lack of data about small business in the past has led to poor policies."

The Bolton Report studied the serious decline in the number of small companies operating in Britain during the 1960s. Its conclusion, that if nothing were done there would be virtually no small manufacturing firms left after the turn of the century, prompted many of the programmes which have since been launched by governments.

Two-thirds of the funds which have now been made available will go to three core areas of research: the economic aspects of small business including its role in wealth creation; labour market issues such as the type and quality of jobs created; and the organisational aspects of small business including the problems of management.

The remaining funds will go to a number of ad hoc projects chosen because they offer alternative insights into small business.

Contact: D. Storey, Small Business Centre, University of Warwick, Coventry CV4 7AL. Tel. 0203 523523.

CB

Venturing into a register

LARGE COMPANIES in Britain have in the past favoured acquisitions as the way of expanding their product range or gaining access to new markets and technologies. Yet many acquisitions have failed to produce the expected results.

One alternative, corporate venturing, whereby a large company establishes more flexible links with a smaller partner by means of a minority shareholding or joint venture, has failed to take off in Britain despite achieving considerable popularity in the US.

In an attempt to promote the technique the National Economic Development Office (NEDO) has launched a Corporate Venturing Register so that prospective venturing partners can find each other more easily.

Small companies provide details of their business and describe the sort of partnership they are seeking. This information – though not the name of the small company – goes into the register which is circulated to the large company subscribers. The large company then decides if any of the proposals are worth following up.

Small companies currently on the register include a designer of systems for converting ocean thermal energy into electricity which wants a larger backer to help it continue its design work and expand its marketing.

The cost to the small company is £50 while the larger groups can pay up to £2,500, depending on their size. The register started with eight large subscribers, including the chemicals division of Courtaulds, the textiles group; Pentland Industries, the footwear and clothing company, and BAA, formerly the British Airports Authority. Twenty-two small companies, all with turnover of less than £1m, also registered.

More large companies have since signed up but small businesses are notoriously difficult to track down. NEDO hopes to locate more by a series of regional presentations.

Contact: Sally Bishop, Corporate Venturing Centre, NEDO, Millbank Tower, Millbank, London SW1P 4QX. Tel 01 211 5912.

CB

In brief. . .

A GROWING number of courses intended to help small firms adopt computer aided design and manufacturing systems/advanced manufacturing systems (this page, May 24) is now becoming available.

On June 29 The Institution of Mechanical Engineers (IMechE) will hold the first of a series of seminars on CAD/CAM for smaller engineering companies at Sandown Park Business Centre in Esher, Surrey. Fee for the one-day event is £75. Contact Peter Wilsher at IMechE on 01-222 7899.

A scheme to allow small companies in the West Midlands to learn from the experience of companies which have already introduced Advanced Manufacturing Systems is being run by West Midlands Technology Transfer Centre. One-day visits to demonstration companies will be held on July 13, 20 and 27. Contact Mick Marshall at West Midlands Enterprise Board on 021 236 2440.

●

SMALL companies producing consumer goods will have another opportunity to present their wares to buyers from department stores from around the world at a Profit in Store show to be held on June 29.

Profit in Store is attended by buyers from the Export Buying Offices Association who buy for many leading department and chain stores such as Macy's and Bloomingdales in the US, Europe and the Pacific Basin.

Exhibiting at the show costs companies just £50. The show will take place at British Petroleum's offices at Britannic House, Moor Lane, London EC2. Contact London Enterprise Agency Tel 01 236 3000.

●

EMPLOYEES working for a small manufacturing company are 50 per cent more likely to suffer a major injury than their counterparts in larger companies.

To help reduce the accident rate the Health and Safety Executive has produced a booklet for firms employing fewer than 100 people. It gives advice on the law relating to health and safety, protective clothing, the safe use of chemicals, electricity and machinery and maintenance work.

Essentials of Health and Safety at Work is available from HMSO and W.H.Smiths, price £2.95.

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Aldeburgh Festival

Andrew Clements

Though it has learnt that it must develop and reflect the musical climate of the 1980s, the Aldeburgh Festival continues unashamedly to celebrate and explore the genius of its founder. Several aspects of Britten's complex creative personality are highlighted in the current festival – the influence of Berg on his music, the impact of hearing Indonesian music, his approach to choral writing as part of an English tradition. None of these investigations is made to seem at all didactic: in each case the first concern has been to produce good, well-balanced programmes.

Saturday evening's orchestral concert in Snape Maltings focussed on the South-East Asian connection. The main work was a substantial portion of Britten's only ballet score, *The Prince of the Pagodas*, and that was preceded by a work by Colin Macphee, the American who was a friend of Britten in the 1940s, and who devoted much of his life to transcribing and utilising the music of the gamelan. Despite the exoticism of their origins, none of the works by Macphee that I have heard reveals a well-defined, original personality. That was just as true of the piece given here, *Tabuh-Tabuhan* for two pianos and orchestras, in which vague pre-minimalist figurations from the gamelan repertory are juxtaposed with jazzy, Gershwinesque textures that take on no character of their own.Its anonymity was underlined by juxtaposition with Shnitke's unassuming but perfectly effective *(K)ein Sommernachtstraum* in which a tightly buttoned classical rondo is carried into unexpected expressive waters and back to safety again.

The Prince of the Pagodas was generously represented by a selection from the first act and the whole of the concluding scenes of each of the second and third. The 70 minutes of music was enough to reveal why the score holds such a peculiar fascination for Britten enthusiasts; routine balletic numbers in a sub-Prokofiev vein lie alongside those of striking originality, in which the gamelan sounds encounter Britten's natural idiom with electrifying effect. Both facets were realised by the London Sinfonietta in its most expanded form with brilliant precision, and conducted by Oliver Knussen with great flair and theatrical vividness, enough to suggest that a new staging of the work would be timely.

The Britten-Berg nexus cropped up in an afternoon recital in Blytheburgh Church, where the Vermeer Quartet gave a lucid, relaxed account of Berg's *Lyric Suite*, its leader Shmuel Ashkenasi a pungent one of Britten's Three Pieces from the Suite for violin and piano, and the tenor Adrian Thompson accompanied by Iain Burnside an eloquent, perfectly judged reading of the *Hölderlin Fragments*. The highlight of that event, though, was Murray Perahia's performance of the Berg Piano Sonata, in which a supple attention ot the work's lyrical impulse was cushioned by perfectly refined textures.

It provided a neat introduction to Perahia's solo recital in the Maltings on Sunday afternoon, in which he deputised for the indisposed Mieczyslaw Horszowski. Perahia's programme centred on Schubert's D major Sonata, which he presented with disarming simplicity and a minimal concern for the work's technical difficulties. The first movement took a while to gel; thereafter, though, not a phrase was misplaced. He had preceded it with Mozart's D minor Fantasy, equally unforced, and closed with a popular Chopin group, notable above all for its perfectly weighted F minor Ballade and eloquently scaled C minor Nocturne Op.48 no.1. Perahia is playing uncommonly well at present, and clearly at home in the festival which he has taken to his heart so completely.

No Sugar/Riverside

Claire Armitstead

The treatment by Australia of her Aboriginal population must rank as one of the most successful and sustained acts of disinheritance the world has seen in the last 200 years. Signs that the tide is turning have emerged with the plaintive voices that managed to penetrate the country's bicentennial hubbub. One of the most persuasive of them is that of Jack Davis, veteran Aboriginal poet and playwright, whose documentary drama *No Sugar* relates a devastating tribal history through the tribulations of an endearingly garrulous Aboriginal family.

No Sugar is the first part of a trilogy recounting the recent history of Davis's own people. The playwright himself appears, a stocky, gnarled figure beneath a shock of white hair, in a richly original drama which has transformed the two studios of Hammersmith's Riverside Studios. They have become sandpit habitations, one at Northam, the settlement's former home, and the other at Mogumber where the entire population were summarily deported for electoral convenience in 1933.

The piece is structured in four acts, with two intervals and three changes of studio, accommodating styles ranging from ritual dancing accompanied by unearthly moans of the didgeridoo, to the verbatim report of A.O. Neville, chief executive, Aboriginees, to the Western Australian Historical Society in 1936.

Davis's writing is remarkably free of bitterness, gathering its force instead from the ridiculous humour of oppression and the good-natured intransigence of the oppressed. Neville is a bureaucrat whose telephone conversations to the officers on the spot are characterised by a starchy acceptance of the will of his political masters.

Between the settlement police and the Aboriginals is a tolerance punctuated by the grumbles of the women (Lynette Narkle and Dorothy Collard) as they collect their rations, and the hectorings of the wayward Jimmy (John Moore) as he is once more imprisoned for drinking.

It is only in the closing stages, after their deportation, that the anger of the community bubbles through, with a hijack of the hymn "There is a Happy Land" which supplies the play with its title. "No sugar in our tea," chant the Aboriginals, to the dismay of assembled worthies, who respond in impotent fury with "God Save the Queen." It is a funny, humane and impassioned moment which provides a strongly focussed climax for Andrew Ross's gentle, meandering production.

Derek Walcott wins Queen's medal

THE Caribbean poet Derek Walcott has been awarded The Queen's Gold Medal for Poetry. He is the first Commonwealth citizen to to receive the medal.

Tate Gallery/William Packer

Picasso still great in old age

A self-portrait, painted at Mougins in June 1972, nine months before Picasso died.

Pablo Picasso died in April 1973 *at the age of 91*, active almost to the last. On Thursday of this week a major exhibition principally of paintings, but including many of the prints and some of the sculpture, made in his last 20 years opens at the Tate Gallery in London (until September 18: sponsored by Global Asset Management), having already been seen in a modified form in Paris.

Picasso, early, middle or late is always interesting, but the particular importance of this exercise, in which the Tate has been directly involved, rests on the challenge it offers to the view, still commonly held, that in his extreme old age he had declined into frustrating ineptitude. He was throughout his life a problem, as much to his admirers as his detractors, yet without question he was one of the great artists of this or any century.

Whether one admired or loathed it, his work readily commanded attention while he lived, alike for its creative daring, its power to shock and its technical brilliance. Now, 15 years after his death, there is no sign that the hold of his reputation upon the popular mind is in any sense diminished. By no means alone in achievement, influence and critical importance, he stands alone as the most famous artist of modern times.

For we live in an age inclined more to the celebration of celebrity rather than actual accomplishment. Even today, for all the manifest power of his work, it is still not Picasso the Artist but Picasso the Demon King of Modern Art, sexually obsessed and beset by women, torn apart by them at last, like Orpheus by his Bacchantes, who is the hero/anti-hero. Picasso was neither the *first nor will he be the last* great artist to be appalled and fascinated by human sexuality and his own experience of it; but no critic should forget that the importance of what Picasso – or any artist – does with it rests with what it shows us not about Picasso, or whoever, but about ourselves.

To have enjoyed an active career that extended from the astonishing precocious juvenilia of the mid 1890s to the last brave works of the early 1970s must be also to have seen the world move on. In my own experience as a student in the early 1960s I remember how Picasso seemed by then not so much beyond as apart from criticism, a hero to be respected but no longer a model, and in that sense all but irrelevant. The great work was done, and though since the war all the old graphic brilliance, the inventiveness, and the urgent physical energy clearly remained, the spirit that informed it seemed more mannered and decorative than driven and necessary.

The period to this show is set by the year, 1953, when he first met the young divorcee, Jacqueline Roque, who within a year would become his last muse and mistress and then his Katherine Parr, the wife who survived him. For Picasso the later 1950s were thus a time of change and reorientation. He bought la Californie near Cannes, which was to become more and more his reclusive home. Old friends and rivals such as Matisse, Derain and Eluard were dying – "au fond," he said, "Il n'y a que Matisse." The work of these few years, with which the show begins, catches this same spirit, which is one more of re-questioning and consolidation than radical development.

The old themes remain constant: the nude, the model in the studio, the artist voyeur. Often they are reworked in self-conscious and perhaps defensive "homages" to great works of other artists, to "The Women of Algiers" of Delacroix and "Las Meninas" of Velazquez, that are yet introspective anthologies of his own past achievement. The paintings are carefully worked through and resolved as images, the paint dense and static, the handling sure and calm.

It is only around the turn of the decade that a looser, freer, *more rapid statement and a more* desperate creative energy creeps in. The "homages" continue with reworkings of Manet's "Dejeuner sur l'Herbe" and studies for The Rape of the Sabine Women after Poussin and David, but now in the context of large canvasses of the nude, open and alone, her flagrant, taunting sexuality expressed as much by the fierce surreal expressionism of the handling as by anything in the imagery. And into the work ever more insistently creeps Picasso himself, his presence either implied in the model's challenging, impassive stare or given directly in the shadowy, haunted figure of the old artist confronting, desiring and frustrated by his young model. Images of explicit sexual encounter also occur, desperate and energetic wish-fulfillment. But the Artist with his Model remains the truer and essential theme, *the one above* all others, so full of self doubt and self pity, that had obsessed him even since the time of "Les Demoiselles" almost 60 years before.

It is all strong meat even now, and in its time those 20 years or so ago all but indigestible. The problem at heart was more of manner than of imagery, and made worse by current interest and taste. The mainstream of painting had moved on from abstract expressionism into the refined orthodoxies of post painterly abstraction and minimalism, and the Figure was out of critical fashion. In such a context how could this last violent expression of Picasso's creativity seem anything but incomprehensible and outrageous.

To see it all now is to be as puzzled at there being any difficulty as impressed by the sustained achievement. And in the light of the figurative expressionism of the last decade, how refined and delicate Picasso now appears in the detail, how direct and unaffected in his statement and how profound in his invention. Even when his handling of the paint on the surface of the canvas is at its most "enrage," there goes still that old, sure, cursive, wonderfully economical line to describe with the nicest subtlety a face, an arm, an ancient smile that might be from an Egyptian tomb or a Cretan pot. Picasso the Painter is the true, timeless hero.

New Kurtág/Almeida Festival

David Murray

Nobody who has heard one of *György Kurtág's previous cycles* for the soprano Adrienne Csengery, *Messages of the late R.V. Troussova* or *Scenes from a Novel*, will be surprised to learn that the latest one is a *tour de force*, and unremittingly intense. On Saturday the *Kafka Fragments*, premièred in Germany last summer, proved to be even more stripped-down than the others, but much longer: for about 70 minutes, supported by a lone violinist, the soprano declaims 39 fraught snippets from Kafka's diaries and letters.

It seems an impossibly risky challenge; in fact, the sequence keeps a steely grip on one's attention, and Kurtág's imaginative range is fully equal to the writer's. As before, he has chosen texts as brief as a single phrase, as long as an elaborate aphorism or a glimpsed scene. Again, as with the Rimma Dalos poems of *the previous cycles, his settings* disclose a whole interior world.

This time the super-saturated virtuoso part for Miss Csengery is answered by fantastic writing for the violin (or rather violins: like Bartók in *Contrasts*, Kurtág calls for a second instrument with *scordatura* mis-tuning). *András Keller was faultlessly* brilliant and committed, whether in florid cascades or vivid pictorial effects, fragile *espressivo* or raw, gutty eloquence. One piece, "The true path," is ground out in sustained double-stopping, an octave curdling into sevenths and ninths. In "Scene on a tram" the violin conjures up the tram, the breeze, an eccentric dance and an impromptu band; and the concluding piece breaks into *grand flourishes before it subsides* into darkness and dust.

With the tiniest ensemble, the gestures of this music have a physical density, downright palpable, beyond the aggressive possibilities of a big orchestra. They owe it purely to Kurtág's unique musical imagination, aimed always at freighting three or four notes with meaning where 30 or 40 would have done – and realised by his performer-collabora*tors with the utmost precision. It* is hardly necessary to review Miss Csengery's extraordinary powers yet again: although her German is peculiar, and in the little theatre her *forte* was sometimes abrasive, she lived every phrase.

Randy Travis/Albert Hall

Antony Thorncroft

London is currently awash with *American country singers*. The Route 88 Festival is determined that British resistance to songs about drunken travelling men and two timing girls will be overcome at last. There have indeed been some pleasant surprises – notably Nanci Griffith and Lyle Lovett, who are already returning with the frequency of hiccups. On Sunday night there was the debut, at the Royal Albert Hall, of Randy Travis, who in *terms of record sales and awards* is currently the King of Nashville.

It was a disappointing experience. Travis looks the part – all leather jacket, blue jeans and quiff of hair which sets off moody James Dean sex appeal; he sounds the part, with a growl of a voice which has echoes of a streetwise Jim Reeves. But his stage presence is about as gripping as a toothless comb and his material *is, well, threadworn. For much of* the time it was like singalong with Max,the kind of songs that Radio Two producers reach for when they have run out of imagination.

Randy comes across as the simple country boy who believes in the certainties. Songs like "On *the other hand" and* "Forever and ever Amen," are performed with the intensity of the Creed, affirming undying faithfulness and devotion to his woman. It makes a change, but bland lyrics beget bland melodies, and I soon developed a longing for a bit of devilry in the music. The only change in pace was downhill, towards clapalong songs, like "Digging up bones."

There was an enthusiastic *audience for all this camp fire* stuff, and occasionally Randy, as in his latest hit, "Broken promises," slipped in some of the old Nashville cynicism. But he seemed happiest with his Roy Rogers' revivals: I hadn't heard "Tumbling, Tumbleweed" since the murder of "Children's Favourites." He'll have to go.

In contrast nothing but pleasure from his support acts, Kathy Mattea, with a big warm voice, *and Sweethearts of the Rodeo*, two pretty sisters, one wearing a black Homburg, who joshed around on stage and duetted close harmony songs, like the Everly Brothers "So sad," with all the charm and skill of, well, the Everly Brothers.

The Wars of the Roses/York

Michael Coveney

There were flowers and standing ovations late on Sunday night in the Theatre Royal, York, as the English Shakespeare Company announced the onset of the Tudor dynasty at the end of *Richard III*. Richmond was speaking in a television studio, hung about with screens and microphones, shortly after killing the bloody dog Crookback on Bosworth Field, weighed down in golden armour and buoyed up by the lush slow plangency of Mahler's Eighth.

Eclectic to the last in matters of costume and sound effects, Michael Bogdanov's productions, 24 hours of stage action, graphically describe a full arc of dynastic squabble followed by an uneasy civil peace rudely shattered by a criminal psychopath. The effect is of encroaching modernity, even though the Bolingbroke tetralogy offers the rich range of "Tudor myth" discussion towards which the *Henry VI* plays and *Richard III* are often a mere sketchy minor route.

This newspaper pops up twice, first when Barry Stanton's fine and funny Falstaff is dismayed by the share prices in Eastcheap, and later as the Earl of Derby and the doomed Hastings attend a board meeting. Bogdanov did *Richard III* as a city gangster scenario ten years ago at the Old Vic. A genial rolypoly Richard is here replaced by the gleaming, elfin Andrew Jarvis, bald as a billiard ball, paralysed down his left side, leg, arm and hunch swinging numbly through the airspace carved out by the right knee and shoulder charge.

Jarvis reminds me of another bald city slicker who recently fell on hard times. It is a strong performance, but not nearly as funny or sinister as Antony Sher's. Like much of the ESC acting, it is a mixture of the obvious, the mechanical and the superficial. What is most effective is his emergence on the cocktail party circuit of *Edward IV*; the third part of *Henry VI* is notable for two great soliloquies, plundered by Olivier in his film, that move the history play onto a plane of macabre and confidential terror.

Henry VI Part One is summarily dealt with in 90 minutes, about right for the weakest of the trilogy. The Margaret and Suffolk liaison is strongly played by June Watson and Chris Hunter, a notch or two up on the feeble Joan of Arc scenes. The main interest here centres on the growing conflict between royalty and Parliament, the division in the nobles and the defeat of Talbot in France.

Even though this is prentice playwrighting, the two other plays contain the Jack Cade rebellion with its echoes of Falstaff's libertine consensus (no small beer and death to all lawyers), and the political and domestic tragedy of Queen Margaret, a role claimed in perpetuity 20 odd years ago by Peggy Ashcroft.

The outlines are well done, but one misses any true passion. It is intellectually tidy for Michael Pennington to relapse into Hal's tearaway vein as Jack Cade in a *Union Jack vest, but he simply* speeds up the same performance, jaw jutting, mouth clenched, eyes squinting. His death in a Kentish garden at the hands of the farmer Iden (Roger Booth) is another excuse for histrionics.

The taunting by Margaret of York (John Castle as blank and uninflected as his Bolingbroke) is more lightly sadistic than contemptuously vengeful, hardly the work of a tiger's heart wrapped in a woman's hide. The themes of curse and prophecy, embodied in Margaret who turns up in *Richard III* as a bedraggled, be-medalled revenant, are given a fresh twist in the *Part Two* seance and phoney miracle passages at St Alban's shrine, scenes to relish for their broad black comedy.

We heard the chimes of midday on Saturday, as noontide tolling at the Minster magically broke in on the Eastcheap father/son charade at the very moment of prophetic rejection. Other more planned sonic irruptions come courtesy of Beethoven, Chaikovsky, Shostakovich, Bach and Handel. The sweep and humanity of the event is much aided by the solid, rockbed contributions of Colin Farrell, Philip Bowen (an effete socialite Edward IV), Hugh Sullivan and Michael Cronin, with Charles Dale again the pick as Richmond, and Paul Brennen a shyly grinning Henry VI, sweet but unable to dislodge memories of David Warner's tortured saint in a hempen smock.

The council chamber table is complemented, as was the RSC cycle, with a great throne, though carved in wood, not steel. The best part of this ESC cycle are the *Henry IV* plays, though the nature of civil unrest in the later world of briefcases and computer technology has the neatly suggestive double consequence of murder and the social clatter of spilt drinks and spoilt piano practice.

Michael Pennington rounds off a baffling display with a Buckingham who remains impenetrably enigmatic. But his energy and virtuosity (understudy duty also demanded a tartly scheming Bishop of Winchester) were not lost on a deeply appreciative audience. Nor was the chance of seeing the cycle at all.

Still sponsored by Allied Irish Bank, the troupe departs for six weeks in Australia on September 1, returning to Newcastle for one week, Holland for three, thence further touring here followed, in the New Year, by East Germany, London (probably the Old Vic again) and, who knows, China. There is, in short, a demand for the company, one Michael Bogdanov and co-director Pennington hope to satisfy, despite the former's recent appointment, on a four year contract, to the post of Intendant at the Hamburg Schauspielhaus.

Cécile Ousset/Wigmore Hall

Max Loppert

Miss Ousset's recital on Saturday was a puzzling and in many ways distressing occasion. She opened with Beethoven's Op.111, and attacked it with steam-drill energy, arms moving like piston rods, and many a wrong note – there was no singing of the melodies, no growing sense of spiritual exaltation in the variations, and no intelligible balance of dynamics, any opportunity for *forte* or *fortissimo* being seized upon with destructive enthusiasm.

This was virtuoso playing of a dubious sort, and it suggested a performer out of contact with the soul of the music she was playing (as well as one in need of a spot of hard practice of unison semiquaver octave passages and long-sustained treble trills). Things did not improve very greatly in the Chopin (E major *Scherzo*) which followed Beethoven.

After the interval Miss Ousset played Debussy (*Deux Arabesques* and *Estampes*) and Ravel (*Valses nobles et sentimentales* and *Toccata*) with somewhat greater flexibility of touch. The straightforwardness and open-eyed energy of her approach, qualities for which one has admired her so greatly in the past, were still recognisable, and where they were made to correspond with the music – as in the brilliant closing stretches of the *Toccata* – some degree of admiration could be renewed.

But where intimacy, spectral colours, half-lights, or subtle nuances were called for, there was small answer in the pianist's touch or attack. The strongest impression that I formed was of a busy international pianist stopping off at the Wigmore as part of her pianistic shuttle.

This is not the impression Miss Ousset used to give when first making her mark on the British musical scene, and it was therefore uniquely disheartening.

Saleroom/Antony Thorncroft

Gifts for Tate and V & A

The Tate Gallery has received a donation of $6.5m from a British businessman, who for many years has been a long term resident of New York. The income from the American Fund for the Tate Gallery, established with the money, will be used to acquire American paintings.

The Tate already has the best collection of American 20th century art outside the US, with six Jackson Pollocks, 13 Rothkos, and paintings by de Kooning, Warhol, Jasper Johns among others, but the current cost of important works makes it difficult to make additions. The $330,000 or so revenue a year from the Fund should mean at least one major acquisition annually. The securing of the Fund was a happy last announcement from Corinne Bellow, who is leaving the Tate after 34 years service.

The V & A also had good news *yesterday. It is getting a new gallery* of Chinese art and design thanks to a £1.25m donation from Mr. T.T. Tsui, a prominent Hong Kong businessman.

The most intriguing item in Sotheby's successful silver sale in London yesterday was made of beeswax. It was a tiny model, around two inches long, of the future King George IV as a baby, commissioned in 1762 by his doting mother Queen Charlotte from the artist Joachum Smith. This rare nude portrayal of Prinnie went to Spink for £5,720, comfortably above estimate.

Christie's had a perfectly horrible time selling good pictures and furniture in Monaco on Sunday. The former brought in £1,190,612, but with 43 per cent unsold, and the furniture managed £1,157,749 but with over half bought in. There was one good price – the £400,950, way above estimate, paid for a drawing by Ingres of Madame Victor Baltard and her daughter. A painting by Alexandre Francois Desportes of a dog protecting a bag of game from the machinations of a cat also did well at £189,924, to a London dealer, but the rest had better be silence.

In the furniture a late 17th century French bronze sculpture of Bacchus, attributed to Francois Girardon, beat its high estimate at £116,065 but a pair of Louis XV kingwood commodes attributed to Charles Cressent, which should have made $1m, were unsold.

Arts Guide

June 17-23

OPERA AND BALLET

LONDON

Royal Opera (Covent Garden). The revival of the Elijah Moshinsky production of Lohengrin, intended for Placido Domingo, returns without him. Eberhard Buchner, Cheryl Studer and Gabriele Schnaut take the leads, and Jeffrey Tate conducts. Moshinsky's stark version of Verdi's Macbeth returns with the original baritone – Renato Bruson – in the title role, Elizabeth Connell as Lady Macbeth, and Edward Downes as conductor. All are in superb form. For what may be her farewell appearances here, Joan Sutherland, in rather muted form, leads a glossy, second-rate new production of Donizetti's Anna Bolena by John Pascoe. Richard Bonynge conducts and the cast also includes Susanne Mentzer, Dimitri Kavrakos and John Aler. (240 1066).

English National Opera (Coliseum). The company borrows David Pountney's Welsh National Opera production of Janaček's Cunning Little Vixen for its first Coliseum showings. Anne Dawson and Norman Bailey are vixen and forester, and Mark Elder conducts. In place of the cancelled Ken Russell Tannhäuser, Fidelio is revived with members of the original Wagner cast: Kathryn Harries, Graeme Matheson-Bruce, Neil Howlett, and conductor Kees Bakels. Also in repertory: Nicholas Hytner's new and wholly delightful Magic Flute production, with Thomas Randle, Susan Bullock, Nicholas Folwell, and John Connell.

Ballet Rambert (Sadler's Wells). Varied programme. (278 8916).

PARIS

Cologne Opera (Théâtre des Champs Elysées). La Gazza Ladra conducted by Iwan Fischer. This is a vivacious and colourful production which brings to life Rossini's mixture of comedy and pathos. The opera semi-seria is co-produced by the Paris Opera and the Théâtre des Champs Elysées (47.20.36.37).

Paris Opera (Palais Garnier). La Celestine. A 15th century Spanish tragi-comedy is the basis of Maurice Ohana's modern opera about a famous procuress. (47.42.57.50).

Ballet Cullberg (Théâtre de la Ville). Matsek and his Ballet Cullberg with two programmes from Sweden. (42.74.22.77).

AUSTRIA

Vienna, Staatsoper. Pelleas et Melisande by Debussy – conducted by Claudio Abbado, with Christa Ludwig, Fréderica von Stade, Nicolae Ghiaurov, Malcolm Walker, John Broecheler, Rudolf Mazzola. Werther – conducted by Ulk Schirmer with Agnes Baltsa, Noriko Sasaki, Francisco Araiza, Hans Helm, Peter Wimberger, Malcolm Walker. Ballet: Orpheus by Henze – conducted by Horst Stein with Marialuise Jaska, Jolantha Seyfried, Christian Tichy, Heinz Heidenreich. Die Frau ohne Schatten – conducted by Horst Stein with Eva Marton, Reinhild Runkel, Marjorie Vance, Czeslawa Slania, Peter Koeves, Bernd Weikl.

Vienna, Volksoper. Ein Walzertraum – conductor Herbert Mogg. Die lustige Witwe – conductor, Herbert Mogg. La Bohème – conductor, Ernst Maertendorfer.

UNITED STATES

New York, New York State Theatre. The New York City Ballet celebrating its 40th anniversary has commissioned 20 works, including five with new scores, that punctuate the Balanchine, Robbins, Martins repertory with pieces by Lar Luvovich and Paul Taylor, among others. Ends June 26.

New York, Lincoln Centre Opera House. Paris Opéra Ballet dancing American premières of works by Robert Wilson (his first ballet), Maguy Martin and William Forsythe in a three-week season that features The Nutcracker and Rudolf Nureyev's refashioned Swan Lake. Ends July 9. (362 6000).

Washington, Kennedy Center Opera House. American Ballet Theater on a fortnight long visit that includes new productions of Gaîté Parisienne, choreographed by Leonide Massine, and Raymonda choreographed by Mikhail Baryshnikov. Ends June 26. (254 3770).

WEST GERMANY

Berlin, Deutsche Oper. Faust, sung in French, has Nelly Miricioiu, Kaja Borris and Robert Hale in the lead roles. Gotz Friedrich's production of Aida features Julia Varady, Cristina Anghelakova, Viktor von Halem and George Fortune. Madame Butterfly will be conducted by Guiseppe Sinopoli. Also offered, Salome. (34381).

Hamburg, Staatsoper. Der Rosenkavalier has a strong cast led by Judit Beckmann, Hildegard Hartwig, Hellen Kwon and Franz Grundheber. Faust is revived with Albert Cupido, Simon Estes, Ana Pusar and Gino Quilico. Die Zauberflöte brings Hellen Kwon, Barbara Bonney and Kurt Rydl together. Die Meistersinger von Nürnberg has Hellen Donath, Bernd Weikl and Kurt Moll. (351151).

Cologne, Opera. Ariadne auf Naxos stars Nadine Secunde, Daphne Evangelatos and Scott Reeve. John Pritchard conducts a cast which includes Barbara Daniels, Robert Bork and Lando Bartolini in Manon Lescaut. Ein Sommernachtstraum is a well done repertoire performance. (20761).

Frankfurt, Opera. Der Widschutz is revived with the superb original cast, led by Ilse Gramatzki, Jerrold van der Schaaf, Josefine Engelskamp and Bodo Schwanbeck. (25621).

Bonn, Opera. Norma stars Mara Zampieri in the title role. Kurt Rydl repeats his much-praised performance in the title role in Don Pasquale.

Munich, Bayerische Staatsoper. Der Rosenkavalier is well cast with Mechtild Gessendorf, Brigitte Fassbaender, Julie Kaufmann and Kurt Moll. Die Aegyptische Helena convinces, thanks to Gwyneth Jones in the leading role. Die Frau ohne Schatten has fine interpretations by Mechtild Gessendorf, Brigitte Fassbaender, Ingrid Bjoner and James King. Salome rounds off the week.(21851).

ITALY

Milan, Teatro alla Scala. Nabucco, conducted by Riccardo Muti and produced by Roberto de Somone, with Paata Burchuladze, Ghena Dimitrova and Raquel Pierotti and Giorgio Zancanaro (alternating with Paul Plishka, Linda Roark-Strummer and Luciana D'Intino). (80.91.26).

Venice, Teatro La Fenica. Ugo Gregoretti's production of Donizetti's Le Convenienze e Inconvenienze Teatrali (based on a farce of the same name by Simeone Sografi), designed by Eugenio Guglieminetti and Ivan Stefanutti. Angelo Cavallaro conducts a cast which includes Leo Nucci, Simona Marchini and Adriana Anelli. (5210161).

Naples, Teatro San Carlo. Orfeo e Euridice with Lucia Valentini Terrani and Valeria Esposito conducted by Gianluigi Gelmetti and produced by Alberto Fassini, with scenery and costumes by Pasquale Grossi. (417.140).

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000
Tuesday June 21 1988

The abuse of alcohol

ALCOHOL, according to the World Health Organisation, is the third biggest killer, after cancer and heart disease. In Britain, it causes ten times as many deaths among young people as drugs. It is also strongly associated with violent crime and public disorders – and not just on football terraces. The recent report by Mr Brian Hayes, the chief constable of Surrey, into rural rioting, said drink was a contributory factor in many of the incidents. Violence in Dorking and Aylesbury, the Home Secretary recently remarked, has less to do with unemployment and social deprivation than with the drinking habits of young people.

Addictive

If alcohol were discovered in the laboratory tomorrow, its legalisation would be far from a formality. Researchers would emphasise its addictive nature, the wide range of medical conditions it can aggravate, and its ability to transform the behaviour of individuals, usually for the worse. In the US, an articulate anti-alcohol lobby has exploited such arguments and begun to change public attitudes: it may be partially responsible for a 13 per cent decline in the consumption of spirits in the past seven years. An anti-alcohol movement is also gaining strength in other countries, although it still lacks the potency of the worldwide campaign against smoking.

In Britain, concern about the misuse of alcohol, ironically, is mounting just as legislation to loosen licensing laws is taking effect. Pubs will shortly be free to open for 12 hours a day from Monday to Saturday and for an extra hour on Sundays. In making the case for more relaxed licensing laws, the Government appealed to standard libertarian arguments, such as the need to maximise consumer choice and minimise the regulations constraining industry. Those now calling for action to curb alcohol abuse are implicitly demanding that ministers adopt a more paternalistic stance.

Intervention is easiest to justify in the case of under-age drinking. The Masham Report on young people and alcohol, published by the Home Office just before Christmas, found that nearly a third of 13-year-old boys and more than half of 15-year-old boys usually drink at least once a week. It also found that 17-year-olds, even though technically under age, were more likely to be convicted or cautioned for drunkenness than those in their 20s. Much of the drinking occurs at home and may reflect parental attitudes to alcohol. All the same, there may be a case for tightening up the regulations. In the US, young people cannot buy alcohol or enter bars without producing documentary proof of their age.

Young people may also be influenced by aggressive alcohol advertising. As the Masham report argues, the adverts help to create a climate in which alcohol is regarded as an "indispensable adjunct to almost all social occasions". It recommended the banning of all alcohol advertising on TV and in cinemas. This may seem an excessive reaction to what is still a minority problem, but the Government should certainly consider tighter rules on the type of adverts allowed and investigate the merits of "health warnings" of the sort now obligatory in cigarette advertising.

Taxation changes could also influence behaviour. The Institute for Fiscal Studies recently calculated that if Britain, under pressure from the European Commission, were to reduce alcohol taxation to the average levels prevailing on the Continent, consumption could rise by up to 40 per cent. This suggests that demand is responsive to price: if beer cost, say, £2 a pint, and more for particularly strong brews, consumption would certainly decline, even among the relatively affluent 18-25 year-olds who are reputedly responsible for much of the recent rural violence.

Balance

But such an indiscriminate policy would penalise the majority of moderate drinkers, particularly those who are poor. As with cigarettes, the Government has to strike a balance: on the one hand, people have a right to indulge in potentially harmful activities; on the other, it is sensible to discourage practices that can be medically harmful and socially disruptive. More should be done, especially among the young, to promote awareness of the effects of alcohol.

Refugee dilemma in Hong Kong

IT WOULD be much easier to sympathise with the decision to treat all Vietnamese refugees arriving in Hong Kong as illegal immigrants henceforth if the British Government had previously tried harder to do everything possible to help with the problem of resettlement. Forced repatriation, the ultimate consequence of the new policy, ought in principle to be avoided.

The British decision to end automatic "first asylum" for arriving refugees means that all new arrivals will be screened and those deemed to be "economic" refugees in search of a better life will face two choices. They will either be held in detention indefinitely until they can be repatriated safely or, if they prefer, they will be put back to sea with provisions once their boats have been patched up.

Personal freedoms

The differentiation between refugees will prove virtually impossible to make. Some of them may be running for their lives but the vast majority are simply escaping a system in which political, economic and personal freedoms are all denied. Not many East Germans risking life and limb to cross the Wall are escaping an imminent threat to their lives; Britain's new policy on Hong Kong would have them returned to the East bloc.

Hong Kong has undoubtedly found itself in an increasingly difficult position, trapped in the middle as the influx of refugees has continued remorselessly and other countries have become less willing to take them in. Since 1975, when Vietnam was reunified, 120,000 refugees have made their way to Hong Kong, usually in barely seaworthy vessels. Hong Kong has accepted all the refugees, holding them in camps pending resettlement. This has posed two problems. First, there has been enormous and understandable resentment from the local population because refugees escaping to Hong Kong from mainland China have been sent back even if they have relatives legally in Hong Kong and willing to support them.

Second, it has become increasingly difficult to resettle the refugees. This year's arrival rate is six times last year's and even the most generous of countries are starting to baulk at the prospect of taking a seemingly endless inflow of farmers and fisherfolk.

Reservations about the British Government's move at the present time stem from two main concerns. One is that Britain herself has been unwilling to alleviate Hong Kong's burden and accept more refugees for resettlement. The quota for entry to Britain remains 20 a month, a long way below the numbers accepted by many of her friends, especially Canada, Australia and the United States. The other is that the timing of the decision may jeopardise current international attempts led by the United Nations to persuade Vietnam to live up to its own responsibilities both by preventing the refugee exodus and by agreeing to take back refugees under acceptable conditions such as guarantees of their physical safety.

Ultimately, blame for the continuing refugee crisis rests with the Vietnamese Government whose economic mismanagement has taken a resource rich nation close to the bottom of the international table with soaring inflation, agricultural chaos and yet another famine now imminent.

Development aid

In this instance, humanitarian and political considerations should go hand in hand. This entails international efforts to ensure a safe return for refugees, pressure on Vietnam to withdraw from Kampuchea, so making itself eligible for western economic and development aid, and British assistance to Hong Kong to make the refugee problem more manageable.

First, the present closed camps could be made open so that the 16,000 people held since before the tough new policy was announced can work and have a more decent existence while awaiting permanent resettlement within the colony or abroad. Second, great caution should be used in implementing the new policy. It will not help if a rickety boat sails from Hong Kong, only to founder in the South China Sea with great loss of life, nor will it if a forcibly repatriated refugee is executed. The recriminations that would follow such incidents would only let Vietnam off the hook.

Andrew Gowers and Max Wilkinson look at the implications of the KIO's stake in BP

Peter Walters, Chairman of BP: caught in the uncertainty about what KIO might or might not do with its stake in BP

The long arm of Kuwait's fund

SAUDI Arabia's acquisition of a slice of Texaco last week, added to Kuwait's purchase of 22 per cent of British Petroleum, means that two Arab states with 40 per cent of the non-Communist world's oil reserves now have stakes in major Western oil companies.

Both states are members of the Organisation of Petroleum Exporting Countries (Opec), a cartel dedicated to keeping the price of oil above its free market rate. Both have in a sense turned the tables on companies which used to have a large degree of control over their oil reserves. So what are the implications of their new strategy?

This is the question now being argued out before Britain's Monopolies and Mergers Commission, which has been asked by the Government to accelerate its inquiry into Kuwait's £3.8bn stake in the world's third largest oil company. Ministers fear the emirate might try to influence BP's strategy for oil purchasing or corporate acquisitions, and perhaps ultimately seek control.

The inquiry has also inevitably turned into a searching examination of the character of the Kuwait Investment Office (KIO), the immensely wealthy but obsessively secretive organisation which is increasingly flexing its muscles in the world's equity and property markets. The political temperature of the issue has been raised by the disclosure that the KIO has the status of a sovereign body and that its £15bn of UK investments are exempt from tax. What, then, are the Kuwaitis up to?

The KIO, which bought its BP shares for an average of 77p each after the collapse of the Government's £7.2bn share offer in October 1987, has consistently protested that it regards the purchase as a long-term investment and has no plans to interfere in the company. It has argued that the failure of the company's post-crash privatisation last year offered an investment opportunity that was too tempting to miss.

No doubt the KIO has reminded the Monopolies Commission that the Government had good reason at the time to be grateful for Kuwaiti buying, which helped prop up BP's price. If the authorities did not want a large block of shares to fall into foreign hands, on this view, they should have stipulated this when planning the privatisation.

Since acquiring the stake, the KIO has been trying to reassure the Government. It has argued that any attempt to influence company policies at an annual general meeting – let alone a request for a seat on the board – would cause more trouble than it would be worth. After all, the argument goes, Kuwait has a lot more at stake in Britain than its investment in BP. Moreover, before deciding to cut down the KIO's presence, Britain should consider what impact similar "protectionist" moves would have on its own overseas investments.

There are two problems with this line of reasoning. First, the KIO can no longer be seen as the low-profile, relatively passive investor it used to be.

In the 1950s Kuwait started investing in overseas assets as a hedge against total dependence on oil and as a form of political insurance. However, since the 1970s the flow of petrodollars into its Reserve Fund for Future Generations has turned Kuwait into a major player in world capital and property markets.

Its investments are so large that the West could not remain indifferent if threats to the Kuwaiti government from hostile powers such as Iran were to be realised. Estimates of the Kuwaiti government's financial assets range upwards from $80bn (£47bn). Bankers in Kuwait reckon that the Reserve Fund (some, though by no means all of it handled by the KIO) contains a mixture of bonds, equities, property and other quality investments worth more than KD 15bn (£30bn) last year, yielding income that in 1986 exceeded Kuwait's oil revenues for the first time.

In recent years, the KIO's confidence has grown along with its size. It has an active presence in the UK property market through St Martin's Property which it took over in 1977. It has developed an increasingly sophisticated, not to say interventionist, approach to the London Stock Market, often conducted behind the anonymity of a Bank of England nominee account. The stories of fast-moving arbitrage operations by the KIO are legion (witness its 1985 raid on Exco, the money broker, which yielded a £6m profit in 24 hours).

More recently, the KIO has made an unprecedentedly aggressive push into the Spanish market, coupling a rapid series of takeovers – some of them hostile – with open demands for management changes in its target companies (see below).

KIO officials deny that what they are doing now differs in substance from what they have always done, which is to seek good returns, as any pension fund would. But some observers believe that the KIO's Spanish adventure and the BP affair are evidence of a distinct change of style.

Another, perhaps more important, reason why the BP presence may not be as benign as the KIO claims stems from the doubts that have arisen as to who is really behind the investment. In other words, whether the Investment Office is acting on its own behalf, as it says, or as an agent for Kuwait Petroleum Corporation, the body set up in 1980 to oversee the industry and mastermind a programme of investments in refining and marketing.

Although the buying of BP may have started out as a purely financial investment, it quickly attracted the keen interest of Sheikh Ali Khalifa al-Sabah, Kuwait's shrewd Oil Minister. Whilst disclaiming responsibility for the issue, he has been closely involved in negotiations on it with the British Government and BP. It is impossible to imagine that he has not been examining ways in which Kuwait – which has said it wants to double its downstream marketing capacity to 500,000 barrels a day – might turn its stake in the company to its own commercial advantage.

If this is the case – and both the Government and BP seem convinced that it is – then it becomes impossible to divorce the investment from the politics either of Kuwait, a small, vulnerable country which has suffered a series of Iranian missile attacks and subversion attempts, or of Opec. Within Kuwait itself, investment strategy has been a matter for controversy in the past, and the authorities are wary of stirring this up by parading their investment spoils too obviously.

The worry in British official circles appears to have several strands.

First, there is concern that Kuwait might use its stake to put pressure on BP to buy its crude oil under long term contracts rather than shopping around on the market at present. The free market, in which BP has been one of the largest players, has been a major contributor to Opec's present difficulties.

The fear that Kuwait might want to tie BP's hands is highlighted by last week's Saudi deal – an obvious strategic move to secure long term crude outlets. Texaco was driven to sell its refineries and 11,000 petrol stations by debt, but BP – with plenty of cash and the will to spend it – must regard the threat of Kuwaiti interference as a most unmerited misfortune.

This is hardly sweetened by the fact that BP once owned a large part of the Kuwaiti oil assets which are now being used to buy up BP.

Kuwait nationalised these vast oil assets in the mid-1970s for a price equal to the cost of five large oil tankers. The Kuwaiti government agreed at the time to supply BP with 450,000 barrels a day of oil for 10 years. But in 1973, during the Arab oil embargo, the contract was abrogated and supplies were reduced to 100,000 b/d with a $5 per barrel surcharge and an injunction against selling it to the US or the Netherlands.

For British officials, this history colours any assurances about what the KIO might or might not do with its stake in BP. Therefore, during discussions with the Monopolies Commission, they have been focusing on the potential power that Kuwait might wield rather than on what the KIO says.

This leads to the second area of concern. Because BP's shareholding is dispersed and few shareholders bother to vote at annual meetings, the Kuwaitis would be able to push through almost any ordinary resolution which they favoured or to vote their own candidates on to the board. On a crisis issue, BP might be able to mobilise shareholder support; but it could not repeat this indefinitely, and on typical votes a company like BP would do well to muster 15 per cent of its shareholders.

Before the Government sold its 33 per cent stake, the BP directors were secure against any outside interference. But it would now be theoretically possible for the Kuwaitis to replace all nine non-executive directors, who could then outvote the seven full-time members of the board and choose the next chairman.

Even if a complete takeover by a foreign minority interest seems unlikely, BP must be worried that the Kuwaitis will use this potential power to tighten their influence.

For example, any major takeover by BP – like the recent acquisition of Britoil or last year's $7.4bn purchase of the remaining minority of Standard Oil of the US – has to be referred to shareholders for approval. For such a "special resolution", a 75 per cent vote of shareholders is required, so the Kuwaitis already have an effective veto. What, it is asked, would happen if BP were bidding against state-owned KPC for Caltex, the Far Eastern refining and petroleum marketing company? Would the new shareholder interfere?

The company, it will be argued, is vulnerable even to the perception that this might happen. As one analyst close to the company said: "There is already a risk that some people, particularly in the US, will say: 'But BP is a Kuwaiti company.' For Britain's largest corporation, the holder of a third of the North Sea oil and gas licences, that is a serious matter."

Kuwait: State reserves & Investment income	KD million *June 1987
State general reserve	9,769
Net income accrued during fiscal year	258
Reserve fund for future generations	15,345
Income accrued during fiscal year	859
Total state reserves	25,114
Total income accrued during fiscal year	1,118

*Estimate. Source: National Bank of Kuwait

IN THE last two years, the KIO has invested more than $1bn in Spain. It is leading a big restructuring of the Spanish chemicals industry, and is building a foods empire. It sets the pace in Madrid's booming property market. It has bought an insurance company, a big stake in a portfolio management group (soon to be one of Spain's top brokerages) and, with two Spanish partners, is the biggest shareholder in Spain's biggest bank.

The march into Spain is the work of Mr Javier De La Rosa, the KIO's senior associate there, who has put together an industrial strategy to weld together what might otherwise have been a series of opportunistic acquisitions.

The KIO has worked with him since 1985 to take control of the Catalan paper producer, Torras Hostench and, using Torras as its chief investment tool, control of a small fertiliser manufacturer, Cros, and more recently the country's biggest private chemicals company, Union Explosivos Rio Tinto and the big sugar producer Ebro. The last two takeovers were hard fought.

The idea is to take these companies into Europe – an almost revolutionary notion in Spanish industry – using Spain as a base. While much of Spanish industry languishes under direct or indirect Government protection, the KIO interests are gathering themselves for the opening of EC markets in 1992.

Torras (in which the KIO has about 45 per cent and Mr De la Rosa about 10 per cent) agreed in July 1987 to a $500m capital increase and, says Mr De la Rosa, the Spanish acquisitions agreed then have, for the moment, been completed. The KIO, Torras and two local entrepreneurs now share about 13 per cent of Banco Central, Spain's biggest bank and have also just bought a big minority stake in Beta Capital, a fast-growing fund manager and brokerage. The KIO also has a 1 per cent stake in Banco Santander, which helped it buy Cros and has taken up some of the shares in Ebro.

"This is a historic moment for Spain," says Mr De la Rosa. "We have three years to take positions in Europe before Europe can take positions in Spain."

Peter Bruce

OBSERVER

The boat is British

■ Tom Gentry of Honolulu is poised to have a shot at breaking the transatlantic water speed record any day now. Actually, he has been poised for several days, but the weather has never been quite right.

The idea was to set out from Miami to New York, pick up that record on the way, and then go as quickly as possible for Southampton.

The Miami-New York run finally came off at the weekend. Gentry duly broke the record for the 1,257 miles trip by 13 minutes with a time of 19 hours, 17 minutes and 23 seconds. Average speed was 56.84mph.

There were troubles on voyage, however. There was a total fog bank off the North Carolina coast which stayed with them for five hours and an oil pump failure led to the boat running without its Lycoming turbine which was supposed to produce the extra speed. Still, the transatlantic attempt should be on shortly.

Gentry is the holder of the world offshore powerboat speed record of 148.238mph. The record he is now trying to beat is that of Richard Branson whose Virgin Atlantic Challenger 11 crossed the Atlantic in June 1986 in 3 days, 8 hours and 31 minutes.

The record has changed hands many times since it was established at just over 15 days in 1838. If it changes again now, some people will note that the boat is British: built by Vosper Thornycroft and designed by Peter Birkett, also British. The diesel engines are German from MTU. It was Lycoming that failed.

Barlow clueless

■ Fools and their money, it seems, are still pretty easy to part. Witness the continuing success of Barlow Clowes, by now a relatively well-known Gibraltar-based gilts investor: despite a little notoriety acquired in recent weeks, the company's liquidators are still receiving cheques from eager investors keen to take advantage of the high returns promised by the firm.

That may just be the way of the world. After all, not everyone reads newspapers, and so may not know of recent events. Yet some of the money is being submitted by supposedly expert intermediaries. According to Ernst & Whinney in Gibraltar, one of the two liquidators to Barlow Clowes International, a steady stream of funds is still being received from UK intermediaries.

One cheque, received two days ago from an unnamed adviser, totalled £5,500. How does that square with the idea of "best advice" enshrined in the Financial Services Act? While such abysmal standards of advice exist, there seems little chance of investors being better protected in the future. At least the money is safe. The liquidator said it would be returned in full.

Zero inflation

■ There are vandals in the Berkshire countryside. Several people went to lunch at a relatively remote cottage there on Sunday, left their cars decently parked in country lanes and returned to find that their tyres had been let down.

Full marks, however, to the Pangbourne Recovery Service which, unlike the RAC, answered the telephone, apologised for not being able to send anyone immediately and promised service in 20 minutes or so. And 20 minutes it was.

Knock-out brews

■ Roger Newill, the licensee of a Sheffield public house called the Frog and Parrot, had too much on his mind to worry about the idea of increased tax on high alcohol beer yesterday after the Guinness Book of records recognised one of his brews as the

strongest regularly produced ale.

Newill first produced his strongest brand, Roger and Out, in 1985 and placed it on regular sale in February last year. Guinnness rejected his early record claims because the beer was an occasional brew, but constant production has won it acceptance.

Roger and Out has a 16.9 per cent alcohol content compared to about 3 per cent in ordinary beers and 40 per cent in whisky. For this reason he sells it for £1 a glass in ⅓ of a pint measures carrying a strength warning. Customers are not allowed to have more than three glasses.

Newill thinks his own beer cannot be singled out as one of those brews which encourage young people to do silly things. "I have never had any trouble in the pub," he said.

He has other less heady brews. Roger's Conqueror is still pretty strong and Roger's Old Fashioned Porter not much weaker. You have to come down to Roger's Reckless for a premium beer and Roger's Old Croak for the weakest of the lot.

A little further north – in the Sair pub-brewery at Linthwaite near Huddersfield – landlord Ron Crabtree brews a strong ale called Enoch's Hammer (after the tools used by Luddites to smash Enoch Taylor's cropping frames in Marsden). His brew, with a 7.7 per cent alcohol content, is sold in pints. If customers can drink five, they get one free and there is a little book with the names of 18 people who have done just that.

The word "sair" is dialect for sour. About 100 years ago the pub, originally called the New Inn, had a sour brew and has never lived it down.

Dam diplomacy

■ North and South Korea came together at an international conference on dams in San Francisco last week and may have prevented a flood at the Olympic Games.

The two Koreas have been quarrelling over water since it was discovered two years ago that the North Korea was building a dam just over the border with the South. The North claims that the dam is a straightforward hydroelectric project; the South believes, however, that the dam could allow the North to unleash a "water bomb" by breaking the walls of the dam and flooding Seoul, possibly at the time of the Olympics in September.

South Korea thus decided to build a counter dam further down the river to catch any waters set free by the North. A public subscription drive has raised almost $100m from companies and building work on the "Peace Dam" is well underway.

The North and South Korean delegates at the California conference got on very well together and reports suggest that work on the North Korean dam has been stopped. Although that is impossible to confirm as yet, there may have been a thaw in relations.

The Saudi problem

■ A reader spotted this sign on the back of a car in Riyadh, Saudi Arabia last week: "Too many women, too little time."

Letters to the Editor

EC-US war of words should stop

From the President of the European Parliament.

Sir, On the evidence so far, the prospects for the mid-term review of the GATT (General Agreement on Tariffs and Trade) in respect of farm subsidies are not promising. Bridget Bloom accurately characterises the international agricultural debate as a "sterile war of words" (June 15) particularly between the European Community (EC) and the US.

Yet it need not be so. If the spirit of compromise is still alive and kicking, even in the closing months of the US Administration, then it should be possible to come to an interim agreement of principle in December.

The US wants a commitment from the EC on the long-term objective of reductions in trade-distorting subsidies. In short, it wants the EC to put a figure on the word "significant" – the qualifying adjective for the scale of the subsidy reduction agreed in the Punta del Este declaration. The EC wants the US to agree to short-term measures to correct the production/surplus imbalances, particularly in those products most in worldwide surplus.

These positions afford the possibility of a compromise; a simultaneous agreement to accept the essence of the other's conditions. The US Administration, however, is pretending that the EC has not yet begun to reform its farm policy. It turns a blind eye to the milk *quotas*, the agreement on stabilisers, and the "set-aside" programmes.

It is a curious situation to be in. Neither the EC policy nor the US proposal can be said to have complete support within the agricultural sector of the countries concerned. The EC's proposal to the GATT is itself, almost by definition, a compromise. I did not notice a unanimity of support for the US Administration's proposal when I was in Iowa last month.

Lastly, the timing of the mid-term review, which was instigated by the US, is in one respect unfortunate. A new President elected in November will, as Miss Bloom notes, wish to change the US negotiating team. With whom, therefore, should the EC confidently negotiate during the December review?

We have to break out of this war of words, and start a process whereby the US and the EC talk to each other instead of past each other.

The world food imbalance is far too serious for an academic argument about the relative merits of free trade in agriculture. People – including farmers – have to be reassured now that steps are being taken to achieve greater liberalisation and provide greater stability and balance of food supply.

We can all declare that we want a unilateral commitment to be good, but we must show evidence that we have actually started to improve our behaviour. I suggest that the EC has already started this process.

Plumb,
European Parliament,
2 Queen Anne's Gate, SW1

Parker Pen drew the line

From Mr Ewen Macpherson.

Sir, The Lex column of June 9 suggested that the reason given in the official press release for the last minute decision to pull the Parker Pen flotation – irreconcilable differences over price – was difficult to believe.

Perhaps an explanation can be found in the way the remuneration structure of venture capital funds encourages the fund managers to take a particular view. Managers of venture capital funds are generally remunerated by a small fixed percentage of the total fund invested and a much larger "incentive fee" which is generated when an investment is realised. At realisation, the fund managers receive a percentage of the profit on realisation – normally in the region of 20 per cent, sometimes calculated after deducting an amount equal to the carrying cost of the investment, but not always.

It should also be noted that the level of personal remuneration of the fund managers is normally closely related to the amount of realisation profits.

Finally, many funds are organised so that at the time the securities of the companies in which the fund has invested become listed, they are distributed *in specie* to the original providers of the money for the fund.

This means that it is not always in the interests of the fund managers to bring a company to the market at the time the management of the company wants to do so. If the company becomes listed at a time when much growth can still be expected, the fund managers lose not only their management fee on that particular investment, but also a significant percentage (20 per cent) of the subsequent growth, which will instead accrue to the original providers of money to the fund.

By contrast, institutions that invest their own money, such as Investors in Industry (3i), Prudential, CIN (the venture capital group) or Legal & General, can afford to take a view which coincides more closely with that of the management of the company, because it makes little difference to such institutions (or their employees) whether the company is unlisted or listed: they can remain holders for the long term and their remuneration structure is not related to the listing.

Companies requiring venture capital which deal with funds (rather than institutions) should be clear that there is considerable scope for a conflict of interest between them and the fund managers in the matter of the timing of the listing.

Ewen Macpherson,
3i,
91 Waterloo Road, SE1

Purpose of EETPU conference

From Mr Roy Sanderson.

Sir, Your report by Philip Basset and David Thomas (June 16) suggested that a one-day conference next month involving the EETPU, the electricians' union, and a number of non-Trades Union Congress (TUC) unions, will be seen as the embryo of an alternative organisation to the TUC.

The report acknowledged that the conference is concerned with incentive-based payment systems but also implied that a "covert agenda" exists on the TUC issue. It said that my keynote address will deal with the wider issue of non-TUC unions coming together.

May I make it clear that the conference is about performance-related pay, and nothing else?

Roy Sanderson,
EETPU,
Hayes Court,
West Common Road,
Bromley, Kent

Mission to win equality

From Mr Giles Burrows.

Sir, Mrs Joanna Foster, the new, dynamic head of the Equal Opportunities Commission (EOC), cannot be serious. In your interview "a woman with a mission to win equality" (June 14) Mrs Foster – "mother of two" – is quoted: "I have no doubt in (my) mind that (for the Government) equal opportunities is becoming important not so much because it is a moral issue but because it makes sound business sense."

An EOC which is less "bureaucratic," has new "younger" commissioners with "wider experience," regional offices and an increased budget is to be welcomed. However, it will achieve little. Most senior commentators believe that the way forward is positive action, with targets (not quotas) and timetables and contract compliance. US experience confirms this view – and Mrs Foster has spent much of her working life in the US.

Contract compliance (or "tender acceptance") is accepted by the UK government to counter religious discrimination in Northern Ireland. However, it has been outlawed by the Local Government Act 1988 for local authorities who wish to pursue policies of equal opportunities in relation to sex discrimination in their purchases. It is for the EOC to persuade the Government of the benefits of contract compliance for equal opportunities for women (and men) on the mainland of Great Britain.

Giles Burrows,
19 Cleveland Avenue, W4

From Mr H. Day.

Sir, Perhaps the newly-appointed Mrs Joanna Foster, chairman of the Equal Opportunities Commission, should be made aware of the less-than-equal opportunities for women in Colorvision's Management Enterprise scheme as reported by you on June 15.

The brief list of requirements for a Colorvision management entrepreneur includes, among other things, "a supportive wife," and "if the husband is a wimp in the company of his wife then we wouldn't be interested."

Maybe they should think about taking on the wife.

H. Day,
44 Clifton Road,
Luton, Bedfordshire

From Ms Lisa Smith.

Sir, I was intrigued to read (FT, June 17) that while posting bail for her husband, Mrs Clowes was wearing a "red and black hooped three quarter length top and black split skirt, with gold earrings . . ."

Was this slump into sexism an aberration by your law courts correspondent, or does the Financial Times think that it has too many women readers? There was, after all, no mention of what Mr Peter Clowes was wearing.

Lisa Smith,
42 Falmer Road,
Enfield, Middlesex

Monetary stability must be maintained

From Mr David L. Flanagan.

Sir, One extension of the European Monetary System (EMS) identifies the creation of a European Central Bank as its logical accompaniment (June 16).

The powers and duties of such an organisation – for example, its degree of independence and policy priority – are, as Ingrid Adam-Schwaetzer points out, critical to the successful maintenance of monetary stability within Europe. However, it is the relationship between Europe and the rest of the world economy, particularly after 1992, which represents one of the most testing responsibilities for any future Bank of Europe.

Extension of the exchange rate mechanism of the EMS to include not only the UK but also Spain, Portugal, Greece and perhaps Norway and Austria too, may elevate the European currency unit (ecu) to become the principal exchange medium in Europe. Its status outside Europe seems as important as broader acceptance of it by EC member states.

As the principal exchange medium, the ecu would assume a value relative to external currencies and in this way reflect the EMS, and confidence in it, abroad.

A carefully established exchange rate policy for the ecu outside Europe, and co-ordinated interest rate policies within Europe, are likely to be essential if a European Central Bank is to help in preserving the EMS.

David L. Flanagan,
138 Shepherds Bush Road, W6

From Mr Peter Robeson.

Sir, Irmgard Adam-Schwaetzer (June 16) misses the crucial point about why it is, in present circumstances, still inappropriate for sterling to be put into the European Monetary System (EMS) exchange rate mechanism.

It is not to do with oil production or the possible reduction of its reserve role. It is simply that, with the dollar still floating and with sterling remaining one of the very few truly international investment currencies and thus subject to global capital flows, it would make no sense to put it into a Deutsche Mark bloc – which is what the EMS arrangement is – because, as the evidence of DM/sterling exchange rate movements over recent years indicates, the resultant speculative strains and their disruptive impact on domestic economies and policies would have been far greater, and realignments more numerous, if two major currencies had been so linked.

Peter Robeson,
Thatchers,
Happisburgh,
Norwich, Norfolk

'Mighty losses of the past were caused by the railway's unwieldy size'

From Mr Graham Wilde.

Sir, David Sawers, former Department of Transport bureaucrat, should discard his bureaucratic ways. His article on British Rail's (BR) probable privatisation (June 8) argues against the only policy that can make BR profitable.

Privatise BR, he says, but in no circumstances break it up into smaller units. As the experience of Japan National Railways (JNR) has shown, the creation of smaller units is the best route to profitability.

JNR ran up deficits which make BR's look puny. All that changed a year ago when, as the first stage towards privatisation, the Japanese government divided JNR into seven autonomous businesses.

In their first year of operation each of the seven has delivered a profit (two after slightly creative accounting, but the other five solidly so). Interestingly, the bosses of all seven Japanese rail companies have stated that the mighty losses of the past were caused mainly by JNR's hopelessly unwieldy size.

British Rail is in exactly the same situation as Japan National Railways was 18 months ago. It is plainly ridiculous that commuter zones like Network Southeast, and the Intercity service, still lose money. BR's failure to exploit its latent assets and expand into associated businesses is also evidence of the decisions which need to be taken.

In Japan nowadays it is impossible to get into or out of a station without showing a ticket; in the UK huge numbers of passengers either use BR without paying a penny or overuse their tickets (by alighting at later destinations where they know tickets are not checked or by re-using tickets that have not been punched).

Graham Wilde,
Flat 2,
5 Wang Fung Terrace,
Tai Hang Road,
Hong Kong.

From Mr Angus Dalgleish.

Sir, David Sawers' article on privatising British Rail (June 8) ignores the question of why there should be any need to subsidise a mode of transport which is supposed to be so attractive to travellers.

The simple fact is that, except for very long haul freight, railways are the most expensive, clumsy and wasteful form of transport known to man. The immense weight of railway rolling-stock and its poor adhesion on a steel track results in high energy consumption and the need for long headways between vehicles, resulting in low capacity.

Express buses with the necessary priority on their rights-of-way can do the same job for a quarter the total costs of rail operation, using one-third of the energy and needing only half the land area.

When our present rail services are put out to tender applicants must be allowed to quote for alternative forms of transport on the existing ways. Thus we could unlock the true value of British Rail's magnificent but little used route network.

Angus Dalgleish,
Shouson Hill,
Ruxbury Road,
Chertsey, Surrey

From Mr David Sawers.

Sir, Mr Bushell (Letters, June 14) forgot that I had mentioned British Rail's (BR) ability to raise fares or reduce quality on the London suburban services as the reason why these services would have to be regulated, in the interests of the traveller, if BR was privatised.

The rise in commuter rail traffic to London over the last three years, emphasised by Mr Bushell, should not be exaggerated. Commuter travel by rail rises and falls with the economic cycle, and this cycle seems to have risen especially fast around London in the last few years; but it has left commuter traffic into central London on BR lower than it was up to 1971.

Commuter traffic has risen faster on the railways of London Regional Transport; they are carrying slightly more commuters into London than in 1971, but fewer than in the mid-1960s (before the Victoria line was built). Present traffic should not therefore strain the capacity of these railway networks in the rush hour.

I do not know who Mr Bushell thinks is talking about engineering a further decline in the (London commuter) railway system; the main recent innovation in government control over these services has been setting specific objectives for the quality of BR's services – factors like punctuality, cancellations and load factors. The objectives for load factors have meant investment in extra capacity on BR to carry the increasing traffic. The recent opening of cross-London routes also looks more like an expansion than a contraction of the system.

External controls over quality as well as over fares are needed if the cancelled trains Mr Dring experienced (Letters, June 14) are not to become more common, and if a private management is not to raise fares above the level needed to provide an adequate return on the capital invested in the system.

The argument that Mr Bushell deploys for subsidising public transport to reduce congestion on the roads is a favourite among economists, who like to simplify their analysis by limiting it to one moment in time. In this simplified situation, it will appear that the main effect of lowering the cost of public transport relative to that of private transport will be to encourage travellers to switch from cars to public transport.

If the analysis is complicated by admitting that changes occur over time in the real world, subsidies to public transport can be seen to represent a reduction in the cost of businesses in the area in which public transport is being subsidised - especially if it is a place like London, where nearly 85 per cent of commuters use public transport, and the use of cars for commuting is controlled by road congestion. If fares were higher, employers would have to pay more to attract the same number of workers. Any reduction in road congestion produced by the subsidy also reduces the costs of business in London, when goods and many businessmen travel around the town by road.

The case for a subsidy for public transport to London thus becomes the case for a subsidy to employment in London. At a time when the economy of the London area appears to be booming, it is not obvious that employment in that area should be subsidised by the generality of taxpayers. The employers and employees of London seem prosperous enough to pay the full cost of their own transport, just as they have to pay the full cost of their food and housing; there seem no good reasons for encouraging employment in London at the expense of other parts of the country. That is the main – and surely unwanted – effect of subsidising commuter travel to London.

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FOREIGN AFFAIRS

A child of the Cold War

Edward Mortimer looks at the predicament of East Germany 40 years after the Berlin blockade

POTSDAM IS the German Versailles. Here, on the southwestern outskirts of Berlin, Frederick the Great built his summer residence of Sanssouci, where Voltaire and other luminaries were entertained and had their brains picked, as well as the grandiose Neues Palais for the reception of higher ranking visitors.

Today, according to the official guide, "Potsdam is no longer the cradle of Prussian militarism and reactionary forces, but has become a socialist city of work, science, education and arts. It strives to live up to the spirit dominating the conference that took place within its boundaries after the defeat of German imperialism in 1945 and the results of which have exerted a lasting influence on the German nation and on the relations between the peoples of Europe."

What spirit exactly is that? In the view of many historians, the 1945 Potsdam conference marked the real beginning of the Cold War, but that can hardly be what is meant. By hosting this year's annual conference of the New York-based Institute for East-West Security Studies (held in Potsdam ten days ago), as well as the "International Meeting for Nuclear-Weapon-Free Zones" now in progress in Berlin, Potsdam's present rulers clearly see themselves as doing their bit to bring the Cold War to an end – or, in the language favoured by their foreign minister, Mr Oskar Fischer, "to support the approaches to security and co-operation between East and West in many ways by means of a broad dialogue".

Yet there is clearly a sense in which the German Democratic Republic is indeed a child of the Cold War and has good reason to cling even now to its mother's apron strings. It must be the only *state in Europe whose foreign* minister could publicly proclaim, as Mr Fischer did in his opening speech to the conference, that the division of the continent into mutually hostile blocs is something natural and permanent.

"It is not helpful to anybody," he said, "to lament over the partition or, to quote a frequently used word, the 'division' of Europe and to call for ending it. The socialist countries accept realities as they exist, and expect others to do likewise. The division into political, economic and military blocs opposed to each other is the outcome, logic and consequence of the Second World War."

That is at first sight an odd statement. After all it is not as though the present blocs represent opposite sides in the Second World War. On the contrary, that war brought East and West together as allies against Nazi Germany.

So what does Mr Fischer mean? Presumably that, by effectively *eliminating all the intermediate powers*, the war for the first time brought the US and the Soviet Union face to face in the middle of Europe, while by crushing National Socialism and Fascism it reduced the contenders for world ideological hegemony to two: liberal capitalism and Soviet communism. With hindsight one can see that conflict between them was inevitable, and that Europe was bound to find itself divided.

Germany is the only European country to have been split into two states, one on each side of *the line. Most Germans regard* that as a historical anomaly, and hope that history will one day correct it.

Time was when that included German communists. The communist line, just as much as the Western line, was to hold the other side responsible for preventing the reconstruction of postwar Germany as a single state. Even the Soviet blockade of West Berlin, which began 40 years ago this week and lasted nearly a year, was presented as a reaction against *Western* moves to divide Germany: the merging of the three Western zones into a single administration, separate from the Soviet zone, the introduction of a new currency (the D-mark) in the West and, most immediately, the introduction of that currency in the Western sectors of Berlin on June 20, 1948.

Article I of the GDR'S first constitution, adopted in October 1949, described Germany as an indivisible democratic republic, recognising only one German citizenship. *In those days all good* Marxists assumed that one day socialism would triumph throughout the world, and it was natural to suppose that when that day came all Germans would be reunited in a single socialist state – pending the withering-away of all states, of course.

One of the great changes in Europe since the war has been the gradual disappearance of that kind of thought, as liberal capitalism – sometimes more, sometimes less modified by the intervention of labour unions and elected governments – has *proved itself more dynamic and* more attractive than Soviet communism, and the latter has been forced on to the defensive.

German communists like Mr Fischer no longer dare even pay lip-service to German unity because they no longer believe in even the theoretical possibility of imposing the communist system on a united Germany. For them, the division of Germany into two states is no longer an unfortunate necessity imposed by the temporary strength of US imperialism, but a water-mark left by the highest tide of Soviet power in Europe.

The GDR today is a land of many paradoxes. Its relations with the Federal Republic are certainly far closer than those between any other pair of states in opposing blocs. Millions of West Germans visit it every year, and last year, even more significantly, no fewer than 1.2m East Germans of working age were allowed to go on visits to the West. (Visits by old age pensioners *are positively encouraged,* since the GDR authorities are more than happy if they decide to stay in the West and draw their pensions from the West German budget.) And those that stay at home have unrestricted access to West German television.

Good relations are desperately cultivated not only with West Germany but with the West as a whole. This autumn many of the world's top financiers, attending the annual meetings of the IMF and World Bank in West Berlin, will stay in East Berlin's new Grand Hotel – which unashamedly competes in luxury and exclusiveness with anything the capitalist world itself can boast – and commute back and forth to their business through Checkpoint Charlie.

Erich Honecker, the GDR's party leader and head of state, was received as such not only by the Federal Republic last September, but by France this February. He would dearly like to obtain the same symbolic accolade from the other two Western occupying powers in Berlin, Britain and the United States. His thirst for international contacts was demonstrated by the readiness of the GDR to host the Institute for East-West Security Studies conference, and by the fact that he himself gave a reception for the delegates.

To that extent the GDR is an eager supporter and exponent of Soviet "new thinking" on East-West relations. Yet at the same time its leaders have refused resolutely to admit any need for *perestroika* or *glasnost* in the way they run their own country. Not for them any denunciation of past mistakes, or any no-holds-barred debate in the official media. They still read out their speeches in a monotone and refuse to embroider them in answers to questions afterwards; and they still run their economy by *meticulous central planning* – in which, it must be admitted, they have been much more successful than any of their Soviet or East European colleagues.

It was easy for me, as a private individual, to travel some 20km across West Berlin from Potsdam to the "capital of the GDR", as East Berlin is insistently labelled on East German signposts. But when we went as official guests to be received by Mr Honecker we went more than four times that distance round the north of the city, along deserted roads through apparently empty countryside, and then through the eerie quiet of East Berlin which still contrasts so strikingly with the dense traffic of the Western half of the city. There was something symbolic about that experience too, though difficult to decode. Perhaps it was that Mr Honecker and his colleagues, proud though they are to have broken the isolation of their state, are themselves more isolated than ever from the *movement of ideas in East and West.*

FINANCIAL TIMES
Tuesday June 21 1988

Peru falls deeper and deeper into debt

President Garcia's self-inflated role as national saviour has been punctured by Peru's failure to offer a brave new example of how to cope with debt and under-development in Latin America, reports Robert Graham

Villaneuva: party heavy-weight

Garcia: under pressure

TRY TO FIND a postage stamp in Lima. They have even run out at the post office. The Government of President Alan Garcia printed only half the planned amount last year. No matter. Peruvians do not use the mail much.

Look for cement and it will be found only after diligent search and at four times the official price. Look for polyethylene, the base for making two-thirds of the country's plastic bags, and supplies have been almost exhausted. The Government cannot even get bidders for a contract to package subsidised milk.

A severe shortage of foreign exchange, exchange rate distortion, and lack of fiscal discipline, combined with President Alan Garcia's obstinate belief in stimulating growth at all costs, are rapidly rendering the Peruvian economy unworkable. The prospect that Peru could offer a brave new example of how to cope with debt and under-development in Latin America has evaporated, and the President's self-inflated role as national saviour has been punctured in the process.

Inflation is running on an annualised basis, at a conservative estimate, of 300 per cent. Cash reserves at the Central Bank are not much more than $30m. Currency transactions are conducted across widely differing rates for the Peruvian inti against the dollar – the lowest official rate being 33 intis to the dollar against a 'street' exchange of 180 intis.

Debt arrears, through withholding all but essential payments, are at $6.5bn. Debt service is expected to be no more than $320m this year, raising arrears to $8bn, three-quarters of the public sector debt inherited by President Garcia.

This is the outcome of stimulating a boom through non-payment of debt, allowing high real wage rises, increasing subsidies on basic household items and relying on the previously large, idle capacity of Peru's import-dependent manufacturing sector.

The authorities have compounded their own difficulties by failing to react either in time or with adequate corrective measures. Added to which, last July's bungled bank nationalisation killed the chance of intelligent dialogue between business and the Government.

"Alan is slowly bleeding the country to death," said one disillusioned former official, who pointed out that exchange rate distortions this year have increased the public sector deficit from 10 per cent to more than 13 per cent of GDP.

Another former supporter throws up his hands more in sorrow than anger. "There are so many contradictions, one doesn't even know where to point the finger any longer . . . In Peru today a subsidised exchange rate means you get foreign medicines at a tenth of their real value – so what happens? Medicines are now being clandestinely exported across the border to Bolivia, Chile and Ecuador."

Different manufacturing sectors advertise daily in the press to protest at their dire straits. Car and truck assembly is threatened with partial shut-down by the end of the month unless more foreign exchange is available. There are even difficulties in obtaining Central Bank clearance for funds to pay for imported parts already warehoused at the port of Callao.

Industrial production dropped 60 per cent in April amid signs of an inevitable recession. If it were not for a huge parallel economy sustained in good measure by some $1bn from the illegal drugs business, the main economy would be in worse shape still.

President Garcia is under pressure from his own Apra Party to tackle the deteriorating economy and the growing presence of the Maoist guerilla group, Sendero Luminoso (Shining Path).

Last month he forced the resignation of Mr Guillermo Larco Cox, the Prime Minister, and reshuffled the cabinet. He brought in Mr Armando Villaneuva, a party heavy-weight, as Prime Minister. Yet nearly a month has passed without a programme being agreed.

Interest rates doubled last week and the number of official exchange rates was cut from eight to five, ending some anomalies such as absurdly cheap air tickets, but there has been no formal devaluation. The delay in producing a programme reflects tensions between President Garcia and his "kitchen cabinet" on the one hand, and the new cabinet and elements of Apra on the other.

The kitchen cabinet, dominated by Mr Daniel Carbonetto, an Argentinian engineer on loan from the UN, continues to control decisions, and appears to believe trade and project finance can still be found.

The President retains his visceral dislike of anything which smacks of the International Monetary Fund. Such attitudes limit the hand of the new Prime Minister who initially sought a return to orthodox economic policy.

A return to orthodoxy also carries political risks for President Garcia, perhaps greater than muddling along with minor adjustments. A brutal adjustment would of necessity entail a big devaluation, across the board price rises, cuts in expenditure and loss of real earnings.

Already a tide of labour unrest, organised by a turbulent union movement to the left of Apra, has begun to affect both the public and private sector, scarcely encouraging the Government to get tough on wages.

President Garcia remains haunted by the prospect of Apra, with its radical nationalist philosophy, being outflanked by both Sendero Luminoso and by the Marxist-dominated coalition, Izquierda Unida, which is giving him an increasingly rough ride in Congress.

This fear not only limits his economic policy options but could lead him to embark on another populist measure in the style of bank nationalisation.

He is further conditioned by the forthcoming Apra congress due on August 2. This will be decisive in determining his support within the party and whether he will be able to press ahead with plans to alter the Peruvian Constitution allowing him to stand for a second consecutive term.

Such ambition underscores the impression that President Garcia sees himself as a latter-day Péron. But Péron had the support of the armed forces and could dip his hand into an ample treasury.

THE LEX COLUMN

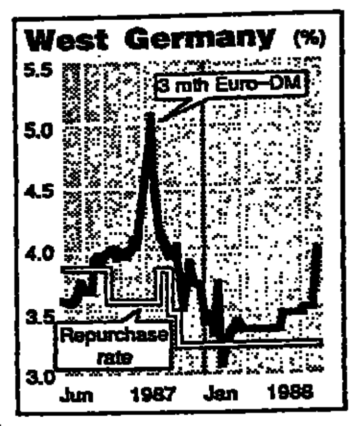
GA pays up to go down under

General Accident's £264m investment in NZI Corporation seems a pretty good deal for everyone involved, except the minority shareholders in New Zealand who do not have the same sort of rights as UK shareholders when it comes to takeovers. Brierley Investments has received a welcome boost to its liquidity – and netted a NZ$100m profit – by selling its biggest investment at a very substantial premium to the current share price. Meanwhile, GA has won control of one of the biggest insurance companies in the Southern Hemisphere without the need to make a full bid; and while a price tag of roughly twice book value may look a bit steep for a company which has had its problems, GA has been able to value its own lacklustre Pacific basin businesses, which it is injecting into NZI, on an equally demanding multiple.

The longer term strategy, though, is more questionable. The experience of other UK insurance companies in Australasia has been far from happy, and while the combined group may be of a size to permit significant economies on the expense front, this is by no means assured. In addition, NZI's insistence that GA limit its stake to no more than 60 per cent for the next three years at least means that GA will share all of the risks and little of the responsibility for a business which has substantial exposure in an area GA knows nothing about – banking. Finally, few other international financial services companies have pinpointed New Zealand as the ideal place to tap into the undoubted long-term growth potential of the Pacific rim. One can only assume that the canny Scots have done their homework.

Markets

The latest UK money supply figures are not as alarming as has been the case in some previous months, but they do not alter the fact that UK interest rates are headed higher. True, the reduction in corporate borrowing, coming on the heels of the latest CBI industrial trends survey, may mean that the UK economy is slowing down at last, but the really eye-catching figure is the 40 per cent annual increase in clearing bank lending for house purchase. Even allowing for some recovery in market share, this pace of bank lending is clearly unsustainable; and it will take more than a half point rise in base rates to trigger off mortgage rates, which will in any case need to rise by several points if the lending boom is to be curbed.



For the moment the official interest rate policy seems to favour several modest increases rather than one giant leap, and judging by the strength of sterling yesterday there is no real alternative. Ideally, the UK authorities might try to take advantage of the expected rise in West German repo rates to sneak through a half point base rate increase. But the West German decision has been so widely leaked that it has probably been discounted by the foreign exchange markets, and the UK authorities may have to wait if they insist on maintaining the charade of only raising interest rates when the pound is under pressure.

BET

There is a strand of waffle as well as one of sense in BET's efforts to re-focus its business. Whether it likes it or not, the company is an unfashionable conglomerate, and if it thinks a higher rating can be got by calling itself a "support services" group - whatever that might be - it will surely be disappointed. That said, there is a clearer strategy in what BET has done than in other conglomerates' attempts to recast themselves as "industrial managers". Vague as BET's unifying theme may be, it includes good defensive businesses which overlap enough to enable the company to market packages ofservices to large companies. More important, its constituent parts are almost all doing well; although perhaps not quite as well as suggested by yesterday's 37 per cent advance in full year profits, which included an extra £12m from property deals.

However, the new-look BET has left little mark on earnings per share, where the 11 per cent rise was little better than the recent average. The future promises more of the same, thanks to a rising tax charge; but to judge from the p/e of 10 or so, that prospect will not surprise anyone much. Indeed, BET's shareholders are so starved of surprises that some exciting news - like a really big acquisition in the US - might go down well. Although BET will be able to afford a bold move once its disposals are complete, it seems more likely to persist in making small ones, for the good reason that many of the bigger deals around are still too expensive.

Drinks industry

Elders' increased stake in Scottish & Newcastle expresses a confidence in the UK drinks industry which not every investor may presently share. The Government's notion of raising duty on alcohol yet further out of line with the rest of the EC looks odd, if it means providing a further incentive for hooligans to go abroad to get drunk. It is, however, a reminder of the mounting pressure against alcohol abuse; and the fund manager looking to his long-term holdings might well ask whether the drinks industry might one day go the way of tobacco.

The answer is probably not. Alcohol comes in a vastly greater number of guises than does nicotine, and it is perfectly possible for the nation to consume less alcohol while spending more on alcoholic drinks. In addition, the drinks industry has a long way to go before it reaches the concentration achieved by the tobacco manufacturers, and the continuing upheaval in the global industry must create opportunities. The short term problem in the UK is rather different – that the brewers may continue their reactionary attitude to the whole problem of abuse, and bring on their heads the wrath of the legislators.

Plessey

Wage inflation in British industry continues apace. The chairman of Plessey's pay increase of around 33 per cent comes in a year in which Plessey produced a fall in sales, pre-tax profits and earnings per share, and its shares under-performed the market by a quarter. The chairman expresses his earnest belief that the company this year will achieve "further progress".

US-Japan accord ends food trade dispute

By Stefan Wagstyl in Tokyo

THE US and Japan yesterday ended a long-running trade dispute by signing an agreement on liberalising imports of beef and oranges into Japan.

The accord was widely seen in Tokyo as a breakthrough in the opening of Japan's market to foreign food imports, even though significant concessions were granted on the length of time over which the agreement is to be implemented.

Both sides gave ground in a tense final round of talks over the weekend so that the accord could be announced before the end of the summit of Western leaders in Toronto.

The two countries were concerned that the dispute, which has been settled only after three rounds of cabinet-level talks, should not continue to plague bilateral trade relations.

Japan is promising to eliminate quotas on beef imports by 1991, on oranges by 1991, and orange juice by 1992. The timetable is much longer than the US originally demanded and Japan will continue to impose tariffs – of 50 per cent for beef – after the quotas are abolished.

Imports can easily compete at the proposed tariff levels but the payments will reduce the benefit of the accord to Japanese consumers.

US officials expect beef exports to Japan will at least double eventually, to more than $1bn a year. Imports of US oranges are forecast to rise by 50 per cent to about $75m.

Imports account for about one-third of the Japanese beef market and about 10 per cent of the market in oranges.

The agreement replaces a 1984 bilateral accord on quotas which expired in March. Japanese farmers fought against the end of quotas with rallies, demonstrations and intense lobbying of the ruling Liberal Democratic Party, which draws much of its support from country areas.

But international pressures created by Japan's export surpluses, forced the Government to open the market, although slowly.

Further details, Page 7

Botha warns South Africans to beware of 'foreign meddlers'

BY ANTHONY ROBINSON IN JOHANNESBURG

PRESIDENT P.W. Botha last night hit out against "foreign meddlers" and warned South Africans of "an intensified onslaught" by radicals and revolutionaries aimed at disrupting October's nationwide municipal elections for all racial groups.

He made his remarks in a state of the nation speech on the eve of an unprecedented three-day joint session of the racially segregated tri-cameral parliament. This will discuss amended proposals for bringing blacks closer to the decision-making process.

Mr Botha repeated the Government's "commitment to an evolutionary process of development to broaden democracy" but again rejected "one man one vote systems which have failed in Africa . . . (which is) a graveyard of failed experiments with Western models," he said.

The new proposals to be debated by Coloured, Indian and white MPs this week are contained in the "promotion of constitutional development" bill. This is a modified version of the Government's original 1985 proposals to set up a "national statutory council." This was billed as giving "access to the highest levels of decision-making, but was decisively rejected by moderate black leaders like Zulu Chief Mangosuthu Buthelezi.

The amended "national council" proposals, described in a state-controlled radio commentary as a "forum for negotiation" and "an indaba for talks about talks" provides for an in-built black majority of 30 seats in the 59-seat council which will no longer be chaired by President Botha as originally proposed.

Twelve of the 30 black seats will be allocated to leaders of the six non-independent homelands and their deputies, while 18 seats will go to nominated black councillors and their deputies elected at the October municipal elections. They will represent nine geographically defined regions, each with its own electoral college.

Under the revised proposals the President will appoint a chairman and six co-chairmen, including at least one representative from each of the three houses of parliament. It will also include the four white provincial administrators, the minister of constitutional development and his deputy, up to five other members of the cabinet and eight other people chosen by the president.

The stated aims of the council are "to plan and prepare a constitutional dispensation which provides for participation by all South Africans in the processes of government and advise the government in this regard . . . and to afford black South African citizens a voice in government on an interim basis."

Despite the government's effort to make the revised council more attractive, however, they fall far short of the pre-conditions for participation, which were repeated again last week by Chief Buthelezi. He told Mr Stoffel van der Merwe, the Minister of Information, that he "refused to accept elaborations to the tri-cameral system" and added bluntly "the present constitution must go and be replaced with an entirely different one" based on universal suffrage and a unitary parliament.

He also repeated his call for the release of jailed or exiled leaders such as Mr Nelson Mandela, the ANC leader

US Democrats seize on sanctions issue, Page 8

US to consider withholding tax

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT, IN LONDON

A POWERFUL US Congressional committee is to consider this week the imposition of withholding tax on interest payments to foreign holders of newly-issued US bonds.

A 5 per cent withholding tax – a tax on interest payments remitted abroad to foreign holders of US securities – is one of a number of options to raise tax revenues to be considered by the Ways and Means Committee of the House of Representatives in deliberations starting today.

Any move towards the imposition of withholding tax would severely unsettle US bond markets. Asked about the likelihood of its passage into law, one New York securities lawyer said:"I don't think that it's likely that withholding tax will be included, but I don't think we can say it's only a 1 per cent chance."

The committee is considering technical corrections to the 1986 Tax Reform Act, most of which will result in a loss of revenues. Since Mr Dan Rostenkowski, the committee chairman, has said he wants the package to have no effect on government revenues, the committee also will be considering what a Rostenkowski aide described as a "Chinese menu" of options to offset revenue shortfalls.

The chances are against any one of the options – which are largely comprised of previously considered and discarded revenue-raising proposals – being included in the final package, the aide said.

The revenue estimates suggest the tax is being considered only for new issues; any action would have no effect on existing bonds. A 5 per cent tax would raise $40m this year, and $1.3bn over a five-year period, compared with the $9.5bn thought necessary to make the paskage revenue-neutral.

Withholding tax has obvious attractions for legislators, since the foreigners who pay it do not have a vote. Nevertheless, vigorous opposition to its imposition can be expected from the US Treasury, which will find its job of raising money through bond issues to plug the huge US budget deficit made more difficult and more expensive.

Many countries, including the UK, impose a withholding tax, though none has the urgent requirement for foreign capital that the US does. A proposal to reimpose withholding tax on West German bonds in 1989 at 10 per cent has resulted in a rise in interest rates on domestic securities compared with D-Mark Eurobonds which are not subject to the tax.

SEC bond overhaul, Page 28

Military reasserts control in Haiti

By Robert Graham in London

HAITI yesterday returned to the firm grip of military rule after General Henri Namphy, former commander of the armed forces, ousted President Leslie Manigat by forcibly taking over the presidential palace.

Mr Manigat, the military's candidate in January's elections, sustained unspecified injuries in the attack which occurred late on Sunday. Unconfirmed reports said the deposed president was due to leave late yesterday either for Jamaica or Venezuela.

Gen Namphy, the former head of the three-man military junta which ruled until February, was dismissed last week by President Manigat from his post as commander of the armed forces and held under a form of house arrest. Loyal troops freed him over the weekend.

The General said yesterday on television that a new military government was to be installed.

"The future of democracy and liberty was at stake. The army must protect the superior interests of the country," he said.

Little sign of military activity was reported in the capital, Port-au-Prince, yesterday, except a tank on the lawn of the presidential palace.

Three US airlines serving Haiti cancelled their flights and the US State Department warned American citizens to stay away from the country.

Early suggestions that the US might have privately endorsed Gen Namphy's action were later discounted. The events seem to have caught Washington off guard, even though Gen Namphy received US backing to steer Haiti towards democracy following the departure two and half years ago of the dictator Jean-Claude 'Baby Doc' Duvalier.

Mr Manigat appears to have alienated the military establishment by attempts to forge divisions within the 7,000-strong armed forces.

When he dismissed Gen Namphy, President Manigat sided with Colonel Jean-Claude Paul, who heads the key unit controlling the capital. Yesterday Col Paul, wanted in the US on drugs charges, appeared beside Gen Namphy.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	25	77	Malta	S	28	82	Rhodes	S	26	79
Algiers	C	25	77	Edinburgh	C	19	66	Manchester	F	21	70	Rio de Jo	F	26	78
Amsterdam	F	18	64	Faro	F	21	70	Manila	F	34	93	Rome	F	26	79
Athens	S	28	82	Florence	S	27	81	Melbourne	F	13	55	Salzburg	C	16	61
Bahrain	S	34	95	Frankfurt	C	17	63	Mexico City	F	24	75	San Francisco	F	20	68
Bangkok	C	33	91	Funchal	C	20	68	Miami	C	27	81	Seoul	C	27	81
Barcelona	S	25	77	Geneva	S	23	73	Milan	S	25	77	Singapore	C	32	90
Beirut	F	27	81	Gibraltar	F	23	73	Montreal	C	30	86	Stockholm	C	22	72
Belfast	C	17	63	Glasgow	F	20	68	Moscow	C	22	72	Strasbourg	S	20	68
Belgrade	S	23	73	Guernsey	S	19	66	Munich	C	17	63	Sydney	S	18	64
Berlin	C	20	68	Helsinki	F	23	73	Nairobi	R	18	64	[illegible]	F	34	93
Biarritz	S	21	70	H. Kong	F	31	88	Naples	F	28	82	Tangier	C	22	72
Bermuda		..	..	Innsbruck	R	19	66	Nassau	R	30	86	Tel Aviv	S	33	91
Bordeaux	S	26	79	Inverness	C	20	68	New Delhi	C	31	88	Tenerife	C	23	73
Brussels	F	18	64	Islamabad	C	40	104	New York	C	30	86	Tokyo	C	27	81
Budapest	F	22	72	Istanbul	C	22	72	Nice	S	23	73	Toronto	C	32	90
B. Aires	C	12	53	Jakarta	C	32	90	Nicosia	F	35	95	Tunis	S	26	79
Cairo	S	42	108	Jersey	S	22	72	Oporto	S	30	86	Valencia	S	28	82
Cape Town	C	13	55	Jo'burg	F	18	64	Oslo	F	28	82	Venice	S	23	73
Caracas	C	23	73	Lima	C	19	66	Paris	F	22	72	Vienna	F	20	68
Casablanca	C	21	70	Lisbon	C	30	86	Peking	S	28	82	Warsaw	F	22	72
Chicago	S	26	79	London	C	22	72	Prague	C	14	57	Washington	S	23	73
Cologne	C	16	61	Los Angeles	C	21	71	Reykjavik	F	9	48	Zurich	S	21	70
Copenhagen	S	23	73	Luxembourg	C	15	59								
Corfu	S	26	79	Madrid	F	27	81								
Dallas	F	22	72	Majorca	S	28	82								
Dublin	C	19	66	Malaga	S	27	81								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bundesbank set to lift interest rates

Continued from Page 1

the world economy.

In Frankfurt, Mr Helmut Schlesinger, vice-president of the Bundesbank, stressed the need for West Germany to bring its money supply back under control, as short-term money market interest rates rose to 4 per cent in anticipation of today's expected rise in official rates from 3¼ per cent to 3½ per cent.

Short-term interest rates also rose in London in anticipation of a move by the Bank of England to engineer a rise in bank base rates, currently 8½ per cent. Rates for three month inter-bank sterling closed at 9⅛ yesterday, more than anticipating a ½ point rise in official interest rates.

The pound remained firm on the foreign exchanges and some analysts believe that the authorities may resist market pressures for a rate rise for fear of sparking another surge in sterling.

The dollar was unperturbed by speculation concerning a rise in German interest rates. It closed stronger against the D-Mark, despite modest intervention on the part of the Bundesbank, and stronger against the yen and sterling.

A rise in German interest was "in the market," dealers said, and that if it happened today they did not believe it would significantly strengthen the D-Mark in terms of the dollar.

In a speech on the 40th anniversary of West Germany's currency reform, and which could be read as a justification for a rise in interest rates, Mr Schlesinger said the 40 year history of the D-Mark taught that the value of money could never be regarded as having been secured once and for all.

FINANCIAL TIMES

Tuesday June 21 1988

USX sells transport units to management for $500m

BY JAMES BUCHAN IN NEW YORK

USX, the US steel and energy group, is selling the last of its railroads, lake ships and river barges to their managements in a deal worth more than $500m that takes it out of the non-oil transport business.

The buyer of the transport network, which has been shipping raw materials and finished steel since the great days of US Steel in the 19th century, is the local management backed by Blackstone, the ambitious new Wall Street investment firm.

The deal involves the sale of more than 2,000 miles of rail track, 300 locomotives and 20,000 rail cars, 14 lake vessels, 305 barges and 27 tugboats.

Among the businesses being sold are the Bessemer and Lake Erie Railroad, the Birmingham Southern Railroad and the Duluth, Missabe and Iron Range Railway as well as the Warrior & Gulf Navigation Company and the USS Great Lakes Fleet. About half of the freight carried is coal, coke and ore or steel products for USX.

The buyer is Blackstone Capital Partners, a group of institutional investors engaged in friendly leveraged buyouts. The fund, one of a host of LBO partnerships formed in the past year, has equity capital available for deals of $700m.

Blackstone was started in 1985 by senior investment bankers who quit Lehman Brothers Kuhn Loeb when it became part of Shearson Lehman. Yesterday's deal was organised by Mr Stephen Schwarzman and Mr Roger Altman, who worked closely with USX during their period at Lehman Brothers.

With the deal, USX will leave the transport business though it continues to operate tankers and pipelines in Marathon Oil and Texas Oil & Gas businesses.

Polar to expand food interests

BY JOE MANN IN CARACAS

CERVECERIA POLAR, one of Venezuela's largest privately-held companies, has agreed to pay about $100m to acquire nine food processing companies in Latin America and the Caribbean from TLC Group, the US investment company which in 1987 bought the international food operations of Beatrice Companies.

The former Beatrice companies acquired by Polar, Venezuela's biggest brewer and a major process food producer, are located in Colombia, Equador, Guatemala, Honduras, Jamaica, Mexico, Panama, Peru and Venezuela.

Polar was founded in Caracas at the end of the 1930s and is virtually wholly owned by the Mendoza Fleury family of Venezuela. A few years ago, it launched a version of its popular Polar brand beer in Florida, but up to now has concentrated its activities on the Venezuelan market.

However, the Beatrice acquisitions show that the cash-rich Venezuelan company is making a serious venture into regional food processing markets, and that it could pose serious competition to international food processing companies.

The largest by far of the nine companies being bought is Industrias Savoy, located in Venezuela, which principally makes chocolate products and snacks. Savoy, a profitable and well managed company, has six plants in Venezuela and about 5,000 employees.

Savoy's sales alone are greater than those of the other eight companies combined, and its annual sales in Venezuela are understood to be about $100m.

Polar is very secretive about its sales and financial figures, but is regarded as one of the most profitable enterprises in Venezuela. Annual sales are probably several hundred million dollars per year.

Nordstjernan profits soar to SKr263m

BY OUR STOCKHOLM STAFF

NORDSTJERNAN, Sweden's largest privately-owned company, which will be introduced on the bourse later this year, has reported a profit after financial items of SKr263m ($43.3m) for the first four months of this year, an increase of 104 per cent on the same period a year ago.

The company, which has interests in shipping, construction, property and steel and is part of the Johnson family holding, expects full-year profits to reach SKr850m, compared with SKr744m in 1987.

This would include income from ABV, the country's second largest construction group which it acquired last month. The forecast includes costs of merging ABV with Nordstjernan's own Johnson Construction (JCC) to form a new unit, Nordic Construction Company.

Nordjsternan said the large profit increase was boosted by the sale of shipping vessels, which netted SKr94m. Excluding this extraordinary item, profits would have climbed by 34 per cent.

Revenues for the four months rose 8 per cent to SKr5.78bn.

Plessey pays £1m to former directors

By Terry Dodsworth in London

PLESSEY, the UK electronics group, paid £1m ($1.8m) compensation to three directors last year, largely as a result of the reorganisation that led to the merger of its telecommunications division with that of the General Electric Company.

The company's annual accounts, published yesterday, also revealed a 33 per cent jump to £298,206 in the salary paid to Sir John Clark, its 62-year-old chairman and chief executive.

Sir John's total remuneration rose even more sharply to £391,956, but the company said yesterday that £93,750 of it was due to an agreement with the Inland Revenue on a "reclassification of expenses" incurred by Sir John between 1980 and 1987. It is understood that these travel and accomodation expenses have been reclassified as taxable salary.

Plessey's pre-tax profits fell 6.6 per cent last year.

The main bulk of the compensation payments went to these two directors. Sir James Blyth, who was widely tipped as a potential successor to Sir John, received £460,000 for the termination of his three-year rolling contract as group managing director. He left last October immediately after the telecommunications agreement with GEC following a number of reported disagreements with Sir John.

Mr David Dey, who had headed Plessey's telecommunications division, received £248,000 when he departed during the reshuffle of the merged telecommunications business.

A further £300,000 was paid to Mr Michael Clark, Sir John's brother and a former deputy chairman, when he left at the age of 60, two years before Plessey's official retirement age.

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David Owen meets the driving force behind a Canadian group

Nova poised to enter the big time

SINCE HE assumed control of a parochial C$45m gas pipeline company in 1970, Mr Robert Blair, the soft-spoken Scots-born chief executive of Nova, has striven "to build an international company in western Canada."

Nova's C$2bn (US$1.65bn) acquisition last week of Polysar Energy & Chemical's petrochemical and petroleum assets, which promises to create the sixth largest petrochemicals producer in North America, brings that ambition a large step nearer to fruition.

For one thing, the deal will put Nova within striking distance of the C$5bn in turnover which Mr Blair believes to be necessary "to be able to afford the international marketing organisation that it takes to construct such a company."

The Polysar assets in themselves will add substantially to Calgary-based Nova's international presence. The former government-owned Crown Corporation boasts 22 plants in North America and Europe, and some 6,400 employees in 16 countries.

For another, the merger will considerably expand Nova's already formidable petrochemicals operations to encompass latex and synthetic rubber - of which Polysar is the largest world producer - and polystyrene.

Nova's existing polyethylene output will also be augmented. Since it purchased Union Carbide Canada's Sarnia plant in February 1987, Nova has owned about 45 per cent of Canadian polyethylene capacity.

This dominant position has historically depended on the exploitation of Alberta's cheap, captive natural gas flow. "The manufacture of the ethane/ethylene-based stream of petrochemicals is," according to Mr Blair, "the one value-added operation in which there is a comparative advantage in western Canada." Alberta is widely regarded as the lowest cost source of polyethylene outside Saudi Arabia.

Expansion on several fronts is the common theme of Nova's plans for the year ahead as Mr Blair, the archetypal blue-eyed sheikh of the Canadian energy industry, made clear in an interview as the bitter eight-month battle for Polysar entered its closing stages.

For example, he contends that new polyethylene plant is now needed to meet rising demand after a prolonged period of overcapacity. "We have a line-up of polyethylene buyers enough to put in another very big plant," he says. Demand for the material is said to be rising.

Accordingly, Nova is proposing to build a C$600m ethylene plant near its existing Joffre refining complex. The company says that it needs assurances of additional low-cost ethane before proceeding. This request is being opposed by a group of Alberta natural gas producers.

In the gas transportation field (which accounted for 46 per cent of Nova's 1986 revenues), Mr Blair similarly believes that the industry is entering "a cyclical phase of growth" after a period of relative stagnation. For this reason, Nova recently boosted its annual budget for gas pipeline expansion to C$360m from a projected C$250m at the start of the year. "I am quite confident that we will have several more years like that," Mr Blair projects.

Nova is consistently among the top three natural gas companies in North America in terms of the volume moved. It also makes money by exporting its pipeline engineering expertise.

In petroleum, Husky Oil - the integrated producer controlled by Nova in partnership with Mr Li Ka-shing, the Hong Kong financier - has repeatedly expressed interest in the extensive Canadian assets of Texaco, the beleaguered US producer. It also just proposed buying Canterra Energy, Polysar's oil and gas subsidiary, for some C$375m.

Like other Canadian energy firms, notably Dome Petroleum, Husky prospected aggressively in the late 1970s in the so-called frontier regions off the east coast and in the Canadian Arctic. As Mr Blair admits, the company paid a price for this in the early 1980s in the form of lower earnings.

Its ambition did, however, enable Husky to assemble a string of impressive long-term oil prospects. These would be viable with crude prices between US$25 and US$30 a barrel. Nova's position in Husky will be "very valuable some time in the 1990s," projects Mr Blair.

NOVA'S TEN-YEAR RECORD

Year	Revenues (C$bn)	Assets (C$bn)	Net income (C$m)
1978	0.43	2.06	85.9
1979	1.22	3.14	115.3
1980	2.11	3.67	141.8
1981	2.67	5.01	127.4
1982	3.50	6.33	150.5
1983	3.82	6.80	35.1
1984	3.79	6.43	203.3
1985	3.35	6.35	(82.4)
1986	2.68	4.78	100.2
1987	2.32	4.68	179.1

Losses in brackets

Fox unit sees $80m loss

BY OUR FINANCIAL STAFF

FOX BROADCASTING, which Mr Rupert Murdoch's News Corporation is attempting to mould into the fourth US television network, expects a loss of $80m for the year ending June 30.

The projected loss, revealed to analysts at a private meeting last week, compares with the $50m loss previously projected

Fox Broadcasting is developing its network around the seven television stations News Corp acquired in 1986 from privately-118 independent affiliates. The Fox Television network was launched last year.

Last Friday News America Publishing, News Corp's US unit, said it sought to place its Boston television station into a trust to comply with federal rules against the ownership of a TV station and newspaper in the same city.

News America Publishing also owns the Boston Herald Newspaper. The move is subject to approval by the Federal Communications Commission.

Labatt posts record result

BY OUR FINANCIAL STAFF

JOHN LABATT, the big Canadian brewing and food group, has posted record sales and earnings for the year to April 30 despite continued flat domestic beer volume.

Net earnings rose 12.3 per cent from C$125.2m or C$1.73 a share to C$140.6m (US$116.2m) or C$1.92, while sales jumped nearly 20 per cent to C$5.1bn.

In the fourth quarter, profits rose 8.9 per cent from C$32.4m to C$35.3m, while sales climbed from C$1.1bn to C$1.24bn.

Labatt said brewing earnings were well ahead as improved margins, productivity programmes and the purchase of Latrobe Brewing in the US more than offset market development spending in the US and UK.

In the UK, where a Labatt organisation was established during the year, initial consumer response for Labatt lager had been "very encouraging." The lager was available in 1,600 Greenall Whitley pubs,

David Goodhart on the prospect of a big West German takeover bid

Flicks warm up for round two

Friedrich Karl Flick: let Deutsche Bank come sweeping in

WHEN THE two grandsons of the great post-war German industrialist Friedrich Flick decided last week to shelve an offer for Feldmühle Nobel – a collection of former Flick companies – it looked as if yet another attempt to mount West Germany's first successful contested bid had caved in. Such a view is premature.

The Feldmühle affair is shaping into a refreshingly stark conflict of principle over shareholder democracy and the desirability of takeover battles in Germany.

In one corner is the mighty Deutsche Bank, defender of the anti-takeover status quo and guardian of Feldmühle's independence. In the other, Mr Friedrich Christian Flick and Mr Gert-Rudolf Flick – known as Mick and Muck – two men with a lot of money and an obsession to prove they can manage the old family assets better than the current management.

When they appeared to throw in the towel, a sigh of disappointment went up from bored domestic and foreign investors used to nothing more exciting than steady earnings increases from Germany's multinational companies. Analysts were quick to blame the inexperience of the Flicks and their advisers in takeover strategy. As one put it: "They allowed their bid intentions to leak out and when, unsurprisingly, the price moved up nearly 10 per cent, they panicked and dropped it."

Last week the Flicks did indeed point to the rise in the share price as a reason for not going ahead with a takeover offer. Now, however, they are giving a different version of events. Mr Kurt Kunz, a Flick official, alleges that after the brothers had lodged their DM1.23bn ($700m) tender offer for half the company, Deutsche Bank began breathing heavily down the necks of the two banks – one Swiss one American – which were funding and advising on the planned deal.

According to Mr Kunz, Deutsche Bank's power of patronage is so great in German banking and financial markets that the two banks felt obliged to withdraw their support from the takeover attempt.

Deutsche Bank refuses to comment on these allegations. But the Bank does not disguise its leading role in the campaign against predators, and especially foreign predators. As a bank official said at the weekend: "We think German companies should stay German. We therefore see plenty of dangers in these 1992 inspired bids." The Flicks are hardly foreign or inspired by 1992 but nonetheless a successful takeover of Feldmühle might be seen as a green light to others.

Deutsche Bank has another, almost paternal, reason for preserving Feldmühle's independence. When in 1985 Mr Friedrich Karl Flick, son of the founding Flick and uncle to Mick and Muck, decided to sell the family businesses along with investment stakes in companies, Deutsche Bank swept up the package for about DM5bn. The bank, much to the annoyance of Mick and Muck, then recouped its DM5bn outlay by selling to former Flick investments, 10 per cent of Daimler-Benz and 26 per cent of W R Grace of the US.

That still left the core Flick companies – Dynamit Nobel (plastics, chemicals and explosives), Feldmühle (Germany's biggest paper and board maker) and Buderus (iron, steel and capital goods) – which were packaged together under the title Feldmühle Nobel and, in Germany's largest public offering, sold to the public for DM2bn, all of it less costs, a profit for Deutsche Bank.

The Flick brothers had, meanwhile, sold their 30 per cent stake in the private family firm for DM308m back in 1975. Little was heard of them for 10 years until they emerged to oppose their uncle's sale of the family company. The brothers said they wanted to run the show themselves but eventually accepted DM200m in compensation.

While the brothers may indeed want to prove themselves as managers and restore the good industrial name of the Flick family, the fear at Deutsche Bank is that the brothers simply want to dismember the company. Although the Flicks deny they have asset-stripping in mind, the company certainly looks more attractive as a break-up proposition.

There is no real logic in its current mix of businesses – despite Deutsche Bank's claims to have created a counter-cyclical earnings base – and the unattractive Buderus and patchy Nobel divisions tend to depress share price when not buoyed by takeover talk. Having sold the chemical division and large parts of the plastic division late last year, the quality of group earnings is improving but Feldmühle remains easily the most attractive of the companies. The group's 1987 net profit was DM151m on turnover of DM9.8bn, but earnings per share fell to DM20.50 from DM22.80.

When whispers of a break-up first began to circulate the Frankfurt bourse earlier this year, Deutsche Bank immediately advised Feldmühle that it should follow its own example and restrict voting rights to no more than 5 per cent of the equity. This takeover protection, already in place at companies like BASF and Deutsche Babcock, will require the support of 75 per cent of shareholders at a meeting on July 12.

A desire to pre-empt this meeting was partly responsible for the timing of the Flicks first bid sortie, and it seems almost certain they are doing all they can behind the scenes to make sure that the 75 per cent figure is not reached. July 12 could be just the bell for round two.

Writs fly in the takeover battle for Midi

George Graham on the meeting of shareholders in the French insurer

THE MUTED struggle between Compagnie du Midi, the French diversified insurance group, and Assicurazioni Generali, the Italian insurer, will take a brief turn in the Paris law courts today before a showdown at the shareholders' meeting due to take place tomorrow.

Midi, which will propose to its shareholders the merger of Assurances Groupe de Paris (AGP), its insurance subsidiary, with the insurance activities of the Axa group, has filed a lawsuit demanding that the votes of most of Generali's shares be frozen.

Generali, which has declared its intention to gain control of Midi but which has oscillated in the degree of aggressiveness it is willing to use in the attempt, has countered with a suit demanding the postponement of the shareholders' meeting and an investigation into both the shares Midi owns in itself via its subsidiaries and into the terms of the complicated share exchanges Midi offered to minority shareholders in these subsidiaries.

For Midi, chaired by Mr Bernard Pagezy, the shareholders' meeting should give the green light to the merger with Axa, the mutual insurance group controlled by Mr Claude Bebear, whose announcement stunned the Paris financial world two months ago.

The second phase of the operation, unless Generali succeeds in preventing it either in the courts or by getting a 33.3 per cent blocking minority on its side, will see Axa exchanging its share in the joint insurance subsidiary for a direct stake in the Midi group, which includes industrial interests such as brewing and plant seeds as well as the insurance operations.

Paris stockbrokers were yesterday mulling over the possible outcomes of the legal countersuits of Midi and Generali, but the FFr49 rise in the Midi share price to FFr1,470 ($253m) suggested that the bulk of opinion favoured a setback to Midi's plans.

Several brokers felt that the courts would be unlikely to wish to interfere in the battle and would decide to return the ball to the court of the French bank supervision committee.

Because Midi controls a number of small banks such as Deltabanque through its subsidiary Compagnie Financière de Paris, any large stakes in the company are subject to the approval of the bank authorisation committee.

Generali neglected to request this permission, as it should have done under a decree introduced last year. Midi has therefore asked for its share purchases to be declared null.

A flat refusal to Generali, on what many Paris bankers feel is a mere technicality, could cause a contretemps with the Italian finance ministry.

The committee therefore adopted the time-honoured French tactic, used or even abused in the recent takeover battle for the industrial automation company Télémécanique, of delaying its decision in the hope that things would somehow unravel themselves.

Axa, too, will require the committee's approval for the 25 to 30 per cent stake it would eventually acquire in Midi, so the resolutions to be put to Wednesday's meeting will have a suspensive clause in them.

The balance of strength, meanwhile, remains unclear.

Generali has declared a stake of 20.8 per cent in Midi, held by itself and by its French and Italian merchant banking allies Lazard Frères and Mediobanca.

This in itself is unlikely to be enough to block the resolutions, even with abstentions and with Midi's inability to vote more than a certain proportion of the shares held by its own subsidiaries.

A large share deal put through the Paris stock market 10 days ago is thought to have been sold by Midi from these self-held shares to a friendly investor. Generali is expected to ask the court to rule that the sale is a temporary screen to allow the shares to be voted, but Midi officials insist that when the purchaser's identity is known, there will be no doubt that it is a serious long-term investor.

And overhanging the whole tussle is the doubt over whether Midi's efforts to escape the unwelcome embrace of Generali have merely driven it into the yet tighter clutches of Mr Bebear.

Rauma-Repola ahead on good demand

BY OLLI VIRTANEN IN HELSINKI

RAUMA-REPOLA, the Finnish forest products group, reported a FM166m ($40m) profit before appropriations and taxes for the first four months of 1988 on net sales of FM2.62bn ($633m), up 13 per cent from the same period in 1987.

The result, which compares with a loss of FM129m last year, includes FM109m from asset sales and FM80m in extraordinary profits. The recovery is largely due to good demand for pulp and paper products. The division operated almost at full capacity and net sales increased by 11 per cent to FM857m for the period.

Rising pulp prices contributed most to the division's good financial result. The shipbuilding and marine technology divisions continued to make a loss, although Rauma did not disclose the actual breakdown.

Net sales amounted to just FM106m although total invoicing for 1988 is expected to reach FM1.85bn ($445m). The division's backlog of orders at the end of May stood at FM2.21bn, down from FM3.05bn 12 months earlier.

A week ago, Rauma decided to lay off 600 white-collar workers from its shipyards and expected to prune operations further during the summer. Engineering produced a "good result" on sales of FM811m, up 40 per cent on last year.

Mechanical woodworking recorded net sales of FM502m, up from FM447m. Packaging and services sales rose 23 per cent to FM410m.

Moevenpick to lift dividend

By John Wicks in Zurich

MOEVENPICK, the Swiss restaurant and hotel group, plans to increase its dividend from 18 per cent to 20 per cent for 1987 following a strong rise in profits.

At the group level, net profits rose by 24 per cent to SFr15m ($10.7m) on turnover which was some 9 per cent higher at SFr712m. For the first four months of 1988, turnover rose by 10 per cent. Earnings have also continued to expand.

Orkla doubles earnings

BY KAREN FOSSLI IN OSLO

ORKLA BORREGARD, the Norwegian industrial and investment group, increased operating profits by 52 per cent to NKr167m ($26.3m) for the first four months of 1988, partly due to a sharp improvement by the industrial division.

For the whole of last year, Orkla achieved profits of NKr465m. Four-month earnings per share were NKr16, up from NKr9.

Orkla plans to split its shares in a 2 to 1 ratio and to issue bonus shares in a 1 to 10 ratio to give 15.6m new shares. In addition, about 1m shares are available to be converted from bonds.

The company said it expects the upward trend for consumer products and processing to continue.

● Aker Nocem, the big industrial group, increased losses to NKr37m on sales of NKr5.23bn in the first four months of this year. The comparative figures for 1987 were NKr26m on sales of NKr3.47bn.

CCF sees 1992 as investment opportunity

By David Lascelles, Banking Editor

CREDIT Commercial de France, the recently privatised French commercial bank, sees the greatest opportunities in the European market in investment banking rather than retail banking.

Mr Michel Pébereau, the chairman and chief executive, said at a briefing in London yesterday that he doubted that the creation of a single European market in 1992 would produce large changes in domestic commercial banking markets because of the dominant positions held by the local banks.

However, he believed there would be large changes in the investment markets which CCF would try and exploit through its base in Paris, where it is acquiring a stockbroking firm, and London, where it already owns stockbrokers Lawrence Prust.

The group also has a corporate finance joint venture in Germany, and is seeking further deals in Spain and Italy.

In its first year after privatisation, CCF increased profits by 23 per cent to FFr433m ($74.6m).

HK exchange plans interim moves to lift settlement efficiency

BY KEVIN HAMLIN IN HONG KONG

THE HONG KONG Stock Exchange plans to introduce several interim measures aimed at improving settlement efficiency ahead of the introduction, in about 18 months, of a central clearing system.

The measures, based on recent recommendations of a government-appointed committee set up in the wake of last October's crash, include printing share transfer forms on the back of share certificates, the development of an electronic system to link stockbrokers and custodian banks, collective central clearing, waiving stamp duty on stock lending, and increasing the size of board lots.

Printing share transfer forms on the back of share certificates would, by eliminating a separate piece of paper, improve settlement efficiency by 20 per cent, according to Mr K.W. Chan, the exchange's head of operations. This system should be operational in two to three months.

The exchange is now devising an electronic system to link custodian banks with stockbrokers via the exchange's computer.

All instructions will then be held in the computer, thus eliminating problems of lost telephone instructions. The electronic system will be introduced in two to three months, and will be available to brokers for a "nominal fee."

"Very encouraging" discussions with the territory's Inland Revenue Department on waiving stamp duty on borrowing or lending stock should be settled in two to three months, Mr Chan said. It would take a further three to six months to revise stamp duty legislation.

If trading volume increases markedly, the exchange is also prepared to begin "collective clearing."

Office boys now traverse the territory delivering scrip door-to-door. Mr Chan said that use of the exchange hall as a central meeting point, for two hours daily or every other day after trading ended, would substantially increase the number of trades that could be concluded.

On increasing the size of board lots, Mr Chan said the exchange would be writing to companies which had shares of a low dollar value to recommend increasing the number of shares per lot.

Mr Chan said 99 per cent of trades were now being settled within three to five days. He emphasised the new measures were designed to ensure settlement efficiency was maintained if volume increased.

He said changes were being introduced voluntarily, and added there had been favourable reactions from listed companies and brokers.

The exchange remains a long way from concluding the controversial question of what settlement period it will adopt in the longer term.

The issue divides local brokers, who want the current 24-hour system retained, and international brokers, who say they need five days. The special committee recommended a compromise of three days.

Mr Chan said proposals ranging from two to five days were being considered.

Robin Allen on commercial bank protests over a proposed levy

Licensing fee divides UAE bankers

THE PLAN by the United Arab Emirates' central bank to charge annual licensing fees on all the country's commercial banks is expected to be the main topic of discussion at the Emirates Bankers Association's annual meeting in Dubai tomorrow.

The proposed fees – Dh50,000 ($13,610) for a bank's head office and an additional Dh10,000 for each branch – has aroused some protest from bankers who say they were not consulted beforehand.

Mr Abdullah Al-Ghurair, the association's chairman, sent a telex to all members urging them not to pay the fees until discussions had been held with the central bank. Payments for this year are due by the end of the month.

One foreign banker said he would not be surprised if the solution eventually reached excluded local banks from the fees, while retaining them for foreign banks and financial institutions.

However, another suggested that the proposed scale of fees was trivial compared with those charged in Bahrain and that any branch office which found it difficult to pay the Dh10,000 should not be operating in the first place.

Sultan Al-Suweidi: suggestion came out of the blue

Concern over the fees has overshadowed the reported call by Mr Abdul-Malik Al-Hamr, the governor of the central bank, for more bank mergers, to cut the level of competition. With 17 local and 21 foreign banks serving a population officially put at 1.6m, the country is generally considered overbanked.

It was suggested – though not, it is understood, by Mr Al-Hamr – that Abu Dhabi Commercial Bank and National Bank of Abu Dhabi, two of the country's largest banks, were possible candidates.

But Mr Sultan Al-Suweidi, managing director of Abu Dhabi Commercial Bank, said yesterday: "I have no knowledge of anything of that sort. The suggestion simply came out of the blue.

"It would not make sense to merge two of the largest five banks in the UAE – and the only two Abu Dhabi government banks – when there are 15 other local banks in the country, many of which need help."

It is believed that Sheikh Khalifah Bin-Zayed, Abu Dhabi's crown prince, whose authority would be needed to force any merger, has made it clear that both banks are to continue independently.

The reaction from other local and foreign banks to any mergers was equally strong, though for different reasons.

Any merger proposal would have to involve shareholders, and no bank contacted has had any approach from or discussions with its shareholders or the central bank.

Dubai has undergone a period of mergers, leaving the government a controlling or minority shareholder in every bank bar one – Bank of Oman, controlled by the Al-Ghurair family. The authorities have stated that no more mergers are being considered.

Bankers point out that the UAE central bank is a central bank in name only. It is not the lender of last resort and is not in a position, on its own, to defend the dirham. It does not have the funds to sweeten any merger between two or more ailing banks.

Individual emirate governments are the lenders of last resort, although in effect this means only Abu Dhabi and Dubai, as none of the other emirates has the money.

In the absence of any bankruptcy law, a troubled bank which no emirate government is able or willing to bail out – like the Ras Al-Khaimah-based Bank of the Arab Coast – simply fades away, rather than go into liquidation.

Income at NZ Forest Products off 72%

BY DAI HAYWARD IN WELLINGTON

NZ FOREST Products, once the leading company on the New Zealand stock market – and now part of Elders Resources of Australia – suffered a 72 per cent drop in net profit for the year to March, to NZ$54.9m (US$39.3m) compared with NZ$198.8m.

The stock market crash and particularly its involvement with the ill-fated Rada Corporation, which became entangled in unfavourable share transactions, was blamed for NZFP's poor performance.

Of the NZ$325.8m in assets written off, NZ$150m is directly related to holdings in Rada and associated companies, including Pro-Rada Properties and Crown Corporation. Last year's net operating profit was NZ$122.5m, including a tax credit of NZ$20m. This year the company had a tax bill of at least NZ$30m.

NZFP, which was supported by thousands of local shareholders, could claim to be the pioneer of the forestry business in New Zealand.

Over the past four years, NZFP has been the target of various takeover bids.

It finally fell to Elders Resources after that company negotiated a deal with the debt-ridden Rada, holder of a large stake in NZFP.

The deal was opposed by Fletcher Challenge, which held a substantial block of shares in NZFP. At one stage Fletcher threatened court action to block the merger.

It withdrew the threat after negotiating a deal which gave it a large area of NZFP's forest resources.

Elders Resources has launched an aggressive rationalisation programme.

It plans to sell off NZ$500m in assets by the end of this month and another NZ$300m by the end of the year.

NZFP turnover last year was NZ$1.29bn, compared with NZ$1.23bn. A maintained total dividend of 16 cents was paid.

The company is now known as Elders Resources NZFP, which will first report in June 1989, covering 15 months for NZFP and 13 months for Elders.

Asia Television sale raises doubts on licence renewal

BY OUR HONG KONG CORRESPONDENT

THE HK$613m (US$78.6m) sale of Asia Television, one of Hong Kong's two television stations, to a private consortium of local investors has raised doubts over whether the Government will renew its operating licence at the end of the year.

The consortium, Thomond Investment, comprises ATV Holdings, Asia Television's former parent controlled by Mr Deacon Chiu, as well as New World Development, the property company, and Lai Sun Garment, the jeans manufacturer. Each owns a third of Thomond.

A senior government official said yesterday that under new regulations governing the renewal of broadcasting licences, holding companies could not run local television stations or engage in activities unrelated to broadcasting.

HK-TVB, the territory's leading television station, in which Australian businessman Mr Alan Bond holds a 30 per cent stake, is awaiting the result of an appeal made to the Governor on this issue.

HK-TVB's activities include book publishing, tourism and entertainment.

Mr Chiu, chairman of ATV Holdings, said yesterday he anticipated no problems gaining government approval for the consortium's takeover of ATV.

But the Government said it was still waiting for written notification of the company's new ownership structure, required when more than 5 per cent of a television company's shares change hands.

Mr Chiu said the consortium planned to spend HK$200m to HK$300m during the next six years to improve the station's broadcasting.

Al-Rajhi share flotation oversubscribed

By Finn Barre in Riyadh

THE SR322.5m ($86m) share flotation by Al-Rajhi Banking and Investment Corporation, Saudi Arabia's 12th and newest commercial bank, closed yesterday after being oversubscribed at least five times.

Subscriptions of more than SR1.6bn will be held by Al-Rajhi for up to four months while shares are distributed.

The Commerce Ministry has still to approve the formula for distribution, which favours smaller investors, according to the Consulting Centre for Finance and Investment, which is handling the flotation.

Al-Rajhi, the biggest money exchanger in the kingdom, went public as part of a government plan to make it a full bank.

Of Al-Rajhi's 7.5m issued shares, at least 4.27m are being retained for the founding family and employees.

Isuzu Motors rallies

ISUZU MOTORS, the Japanese car and commercial vehicle producer which is more than 40 per cent owned by General Motors of the US, recovered to group net profits of Y3.8bn ($30.2m) in the year to April from losses of Y12.9bn, Our Financial Staff writes. A Y3.9bn pre-tax gain came from sales of shareholdings. Turnover rose to Y507.1bn from Y443.9bn.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Anticipated rise in key interest rates unsettles operators

BY OUR EUROMARKETS STAFF

THE EUROBOND market started the week with a day of nervous trading as most operators waited for the monetary authorities in West Germany and the UK to implement widely anticipated rises in key interest rates. New issue activity was limited to a handful of equity linked and targeted deals.

Activity was thin in most sectors as dealers adjusted positions in the wake of last week's volatility, reluctant to be caught holding large positions ahead of any possible rate rise. However, losses were generally minor, limited by a perception that a boost in rates has already been discounted to a large extent.

Several traders said they expected West Germany's Bundesbank to increase today the rate on its new round of securities repurchase agreements to 3.5 per cent, from the 3.25 per cent rate which has been unchanged since November.

If the Bundesbank lifts rates, the Bank of England is thought likely to follow with a half-point increase in base rates, currently standing at 8½ per cent. A UK rate rise had been awaited yesterday but failed to materialise as better than expected May money supply and lending data lent support to sterling.

Gilts and Eurosterling fell sharply in early trade but later recovered some losses as speculators, buying purely on a spread basis, re-entered the market.

In West Germany, turnover was thin and nervous ahead of today's Bundesbank announcement and prices ended marginally easier with average losses of between ¼ and ½ point.

Switzerland saw similarly lacklustre activity with prices finishing mixed.

Salomon Brothers International brought the first Euroconvertible issue for a Spanish company. The £100m deal was issued through Phoenix International Finance, a special purpose financing vehicle, and carried the unconditional guarantee of Torras Hostench, which is active in the paper, chemicals, food and services sectors.

The 10-year deal carries a 6 per cent coupon and the conversion

INTERNATIONAL BONDS

premium will be 17.25 per cent. There is an investor put option after five years which will be pitched to give a yield of a half point over comparable UK government gilt-edged bonds.

Arabian Oil Company of Japan issued a two tranche $100m bond with equity warrants. Both $50m tranches are fully fungible five-year deals on which the coupons are indicated at 4¼ per cent and are guaranteed by the Industrial Bank of Japan.

Nomura International is the lead manager on the European tranche while Nikko Securities (Europe) will lead the Asian tranche of the deal, which will have a Far East-oriented co-management group.

Daiwa Europe was the lead manager on a $50m deal with equity warrants for CKD Corporation, a Japanese vending machine manufacturer. The coupon on the five-year deal is indicated at 4¼ per cent.

Krupp confirms downturn

BY OUR FINANCIAL STAFF

KRUPP, THE West German steel and industrial group, yesterday confirmed that group net profits slipped to about DM40m ($22.8m) for 1987, from DM126.2m the previous year.

Remarks made by Mr Wilhelm Scheider, the Krupp management board chairman, to the German press were endorsed yesterday by a company official.

Krupp will publish its full 1987 results on July 6. It has already reported a decline in turnover for last year, from DM15.8bn to DM14.1bn, with incoming orders falling to DM14.7bn from DM15.4bn.

Krupp Stahl, the group steel unit, saw net profit fall to DM5m from DM71m previously.

The company confirmed that its borrowings would be larger than in 1986, when they stood at DM2.39bn. It declined to give details on the company's capital resources.

All Krupp's sectors have seen a rise in orders in the first five months of 1988.

CME and Reuters to open up Globex

By Dominique Jackson

THE CHICAGO Mercantile Exchange and Reuters, the UK-based information group, have agreed to open up to other exchanges their proposed joint automated trading system for financial futures and options.

The CME and Reuters first announced last September an exclusive deal to operate a system which would allow trading outside the regular hours of the Chicago market.

Details of the 12½-year agreement have now been finalised. The proposed system, which originally went under the acronym PMT for Post (Pre) Market Trade, will now be known as Globex and should be fully operational by summer 1989.

Mr Leo Melamed, chairman of the CME executive council, said it was the intention of the CME and Reuters to invite vendors and exchanges in every other financial centre to participate in Globex.

The exclusivity of the original PMT deal came in for fierce criticism from financial futures traders in London and Paris and, earlier this month, the French financial futures clearing agency declined proposals made by the CME in connection with the Reuters link.

However, Mr Melamed said many key elements of the original proposal had since been amended and other exchanges were no longer excluded from the system, although the agreement, which is still awaiting approval from the US Commodity Futures Trading Commission, contained exclusivity clauses protecting the CME and Reuters.

The CME/Reuters agreement, which marks a significant step on the road to complete globalisation of trading in financial instruments, was initially seen as a challenge to other futures exchanges which trade currency and interest rate contracts similar to the CME's range.

However, Mr Melamed said the CME had had successful and positive discussions with a number of other entities, including the London International Financial Futures Exchange.

SEC set to overhaul bond issue procedures

Stephen Fidler examines the potentially far-reaching effects of changes covering the offering of securities

THE FIRST overhaul in 24 years of rules on the offering of securities outside the US, with potentially far-reaching effects on the Eurobond market, is being proposed by the US Securities and Exchange Commission.

A key aspect of the new proposals, comments on which are being invited by mid-September, is that the SEC is suggesting a territorial approach to the Securities Act of 1933 on which the rules are based.

This means that for the first time there will be no bar on the offering of Eurobonds directly to US nationals based outside the country.

"Under such an approach," says the SEC, "the registration of securities is intended to protect the US capital markets and all investors purchasing in the US market . . . The territorial approach recognises the primacy of the laws in which a market is located."

The dropping of the nationality principle on which the old rules were based seems certain, among other things, to increase the ability of US investors to establish entities abroad to invest in foreign securities. While US investors have invested in foreign securities, it clarifies the law in what was previously considered a grey area.

The proposals also suggest a scrapping of the current rules regarding a 90-day lock-up period for Eurobonds. While its aim is still to prevent for 90 days the offering into the US of securities not registered with the SEC, the SEC is proposing a simplification of the offering procedures.

Registration with the SEC will not be required if there are no "directed selling efforts" in the US and if the offer is an offshore transaction, which means that the buyer is outside the US or the transaction is executed through an established foreign exchange and is not prearranged in the US.

There are additional restrictions, which would, however, have no effect on foreign issuers deemed to have no substantial market interest in the US.

There would be further constraints on issues by US and foreign companies which report to the SEC and even more on those issuers deemed to have a "substantial US market interest" – the SEC suggests a lengthy definition of this but specifically invites comments.

For issuers which report to the SEC, the proposals would require that offer documents contain clauses forbidding the holders of the securities to offer them into the US.

The US law firm of Cleary, Gottlieb, Steen and Hamilton says in a client memorandum on the subject: "The proposed restrictions for this category of issuers . . . are significantly less onerous than existing Eurobond procedures for these issuers."

It notes that the rules would not include lock-up and non-US beneficial ownership certification procedures and would, for non-continuous offerings, generally measure the 90-day sales restriction from the closing date rather than from completion of distribution, as at present.

Issuers in the third category with "a substantial US market interest" would include privately-held US corporations and, for example, foreign companies with sponsored programmes in American depositary receipts that do not report to the SEC. It is here that the the main contention over the proposals is likely to arise.

For such issuers, the proposals require more onerous transaction and offering restrictions. For debt securities, the restrictions would include the 90-day limit, plus the use of a temporary global bond, lock-up procedures and the release of definitive global securities once non-US ownership has been established.

For equity securities, including convertibles, the transaction restrictions would extend for a year.

Says Cleary, Gottlieb: "The proposed requirements for this third category are not consistent with market practice and, if adopted, would probably not be workable."

For example, if a company such as ICI was defined as falling into this substantial market interest category, the proposed rules would, on the face of it, require two British shareholders dealing in newly-issued ICI shares to complete US documentation.

Nevertheless, the overall tenor of the proposals is likely to be welcomed in the securities markets, particularly if, as seems likely, they are adjusted. Mr Manley Hudson, a senior partner in London at Cleary, Gottlieb, describes them as "very constructive."

The SEC is also issuing proposals on two other issues that affect the international markets. The first set represents an attempt to work out reciprocal regulation with foreign regulators on the treatment of foreign dealers, and would pave the way for foreign dealers to operate in the US without registration with the SEC.

The next step would be to extend the concept of regulatory reciprocity to those companies wishing to issue securities in the US. The proposals would have a potential impact on UK issues, but most particularly on Canadian users on the securities markets.

Soffex to introduce share-index options

BY JOHN WICKS IN ZURICH

THE SWISS options and financial futures exchange (Soffex) plans to introduce a programme of share-index options this year. Mr Ernest Mollet, the exchange's chairman, said the move was intended to create a special index based on the 24 Swiss bearer equities.

This "Soffex 24," to be developed in co-operation with Telekurs, the stock market information system, is to be programmed by autumn and is expected to be introduced before the end of the year.

Mr Mollet disclosed that software for the existing Soffex share-option system had been supplied to Foerderkreis Deutsche Terminboerse, the forerunner of DTB, the federal German futures exchange.

A corresponding agreement between the two bodies also allows for Swiss-German co-operation in the development of further projects of mutual interest.

Mr Mollet said there were moves in hand in the federal republic to set up interest-futures trading "as soon as possible." He added that this was not considered a priority for Switzerland in view of the country's lower and more stable interest rates.

Soffex, which is backed by Switzerland's leading banks and the three main stock exchanges, started trading put and call options on 11 top Swiss shares on May 19.

In its first month of operation it has surpassed all expectations, it was stated in Zurich, with better initial volumes than those of any other European options exchange.

A total of 145,170 five-share contracts were traded in the first 21 working days, or a daily average of more than 6,900.

To date, 88 per cent of all business has been accounted for by call options.

This had helped the current upward trend on Swiss stock markets, said Mr Mollet. He added that, in time, puts would probably reach the share of about one-fifth to one-quarter which were usual elsewhere.

S Korea considers interest rate move

BY MAGGIE FORD IN SEOUL

SOUTH KOREAN monetary authorities have proposed a new system for determining bank interest rates which would, in effect, delay financial liberalisation plans for as long as two years.

Liberalisation of interest rates, which are controlled by the Government, is one of the key factors determining the status of the Bank of Korea, the central bank which is subservient to the Ministry of Finance.

Under proposals submitted to the Monetary Board, a government body overseeing the bank, a "reference rate" would be introduced.

The board would "recommend" that banks use this rate, but would not set the rate, as in the past. Since South Korea's commercial banks are controlled by the Government, few analysts expect them to resist the recommendation.

Proponents of the reference rate idea believe it will even out the rises expected if interest rates are liberalised.

The current bank lending rate is 11 per cent, while short-term finance rates are as high as 20 per cent or more.

Those arguing for financial liberalisation say, however, that the rise in rates would only be temporary and that market forces would solve the problem, making a reference rate unnecessary.

Lending, which is also controlled by the Government, is in any case tightly restricted at present, forcing companies to borrow in the short-term markets.

The recommendation to the Monetary Board suggests that those arguing for financial liberalisation – including central bankers, securities firms and large manufacturers – will face strong resistance.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday June 20 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99 25	55 6178	31 6082	44 0621
Albania	(Lek)	10 1499	5 6878	3 2324	4.5060
Algeria	(Dinar)	10 0718	5 6440	3.2075	4.4713
Andorra	(Fr Fr)	10.5850	5.9316	3 3710	4 6992
	(Sp Peseta)	207.06	116 0325	65 9426	91.9245
Angola	(Kwanza)	54 69	30.6472	17.4171	24 2796
Antigua	(E Carr $)	4 83	2 7066	1.5382	2 1442
Argentina	(Austral)	14 6200	8 1927	4 6560	6.4905
Aruba	(Florin)	3 2005	1.7934	1 0192	1.4208
Australia	(Aus $)	2 1740	1 2182	0 6923	0.9651
Austria	(Schilling)	22 035	12 3479	7.0175	9 7824
Azores	(Port Escudo)	254 99	142 8915	81 2070	113 2033
[illegible]					
Greenland	(Danish Krone)	11.9300	6.6853	3.7993	5.2963
Grenada	(E Carr $)	4.83	2.7066	1.5382	2.1442
Guadaloupe	(Local Fr)	10.5850	5.9316	3.3710	4 6992
Guam	(US $)	1.7845	1	0.5683	0.7922
Guatemala	(Quetzal)	1.7845	1	0.5683	0.7922
		4 5795a	2.5662	1.4584	2.0330
Guinea	(Fr)	536 40	300.5884	170.8280	238.1354
Guinea-Bissau	(Peso)	1162.20	651.2748	370.1273	515.9600
Guyana	(Guyanese $)	16.0900	9.0165	5.1242	7.1431
Haiti	(Gourde)	8.9400	5.0098	2.8471	3.9689
[illegible]					
Peru	(Intl)	58.96o	33.0400	18.7770	26.1753
		334.62a	187.5147	106.5668	148.5549
Philippines	(Peso)	36.80	20.6220	11.7197	16.3374
Pitcairn Is	(£ Sterling)	1.00	0.5603	0.3184	0.4439
	(NZ $)	2.4670	1.3824	0.7856	1.0952
Poland	(Zloty)	781.70	438.0498	248.9490	347.0366
Portugal	(Escudo)	254.99	142.8915	81.2070	113.2031
Puerto Rico	(US $)	1.7845	1	0.5683	0.7922
Qatar	(Riyal)	6.5190	3.6531	2.0761	2.8941
Reunion Is. de la	(F/Fr)	10.5850	5.9316	3.3710	4.6992
[illegible]					

[illegible]

(k) Buying rate, (l) Luxury goods, (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94¾	94⅞	−0⅛	+0¼	9.27
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101⅜	101⅝	−0⅛	−1	4.99
[illegible]						

[illegible]

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[illegible] Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy

WIN A FLIGHT IN THE FT CENTENARY BALLOON

Each ticket purchased automatically enters you into the draw for a flight in the FT Centenary Hot Air Balloon

A Centenary Event for Readers of the Financial Times

FINANCIAL TIMES 1888 FT 1988 CENTENARY YEAR

THE QUEEN ELIZABETH II CONFERENCE CENTRE
WESTMINSTER, LONDON
7, 8 & 9 JULY, 1988

As part of its Centenary year, the Financial Times is pleased to announce PERSONAL INVESTMENT 1988. An Exhibition for those seriously interested in investment, it will provide an opportunity for its readers to discuss their individual personal financial planning requirements and take part in the exciting programme of events that will contribute to this celebratory occasion.

Entry to the Exhibition costs £5.00 which includes a ticket for you and a guest, a catalogue and the opportunity to visit the FT Centenary Photographic Display and a special show of paintings by the New English Art Club.

Those attending the Exhibition will also be able to register for any of the associated conferences, workshops and events listed below. At £10.00, the cost of each is attractively low but numbers are restricted and early booking is essential.

Exhibition times of opening: *Thursday, 7 July 10.00–20.00*
Friday, 8 July 10.00–20.00
Saturday, 9 July 10.00–18.00

Programme of Events

THURSDAY, 7 JULY

10.00–13.15 OPENING CONFERENCE — CAPITAL PROTECTION AND GROWTH
Financial planning for men and women in late career and at retirement.
Sir Mark Weinberg
Chairman, Allied Dunbar Assurance
Deputy Chairman, Securities & Investments Board
Gordon Pepper
Director & Senior Adviser, Midland Montagu
Alan Kelly
Partner, Grant Thornton
Author, 'Financial Planning for the Individual'
John Patterson
Director, National Savings
John West
Senior Manager, The Royal Bank of Scotland
Michael Pilch, CBE
Former Director, Noble Lowndes
Former Chairman, NAPF

14.00–17.15 PERSONAL FINANCIAL PLANNING AFTER THE 1988 BUDGET
An overview of the income and capital changes in the most recent Lawson Budget and suggestions on the financial and investment decisions that follow.
Lord Bruce-Gardyne of Kirkden
Former Economic Secretary to the Treasury
David Stewart
Senior Tax Partner, Deloitte Haskins & Sells
John Chown
J F Chown & Co
Hugh Blakeway Webb
Tax Partner, Deloitte Haskins & Sells
Alan Kelly
Partner, Grant Thornton
Author 'Financial Planning for the Individual'
Howard Flight
Joint Managing Director, Guinness Flight

18.00–20.30 PERSONAL PENSIONS
A subject of immediate importance to men and women in employment as the new pensions regime takes effect in July. An authoritative panel looks at the risks and possible rewards of leaving employer-run schemes.
Dryden Gilling-Smith
Managing Director, EBS Management
Maurice Oldfield
Former President, NAPF
Group Pensions Executive, Allied Lyons
Robert Ashurst
Partner, R Watson & Sons
An Insurance Company speaker to be announced

18.00–20.30 INVESTING IN GOLD
Should gold play a bigger part in the portfolios of British investors? A distinguished panel will answer the question and discuss how to proceed.
Robert Guy
Director, N M Rothschild & Sons
Julian Baring
Gold Specialist, James Capel
Anthony Garrett
Deputy Master & Comptroller, The Royal Mint
Tim Read
Head of Mining Research, Smith New Court

FRIDAY, 8 JULY

10.00–13.15 CAPITAL PROTECTION AND GROWTH FOR DIRECTORS AND SENIOR EXECUTIVES
Personal investment strategies for men and women at the top of companies and with businesses of their own.
The Rt Hon Cecil Parkinson, MP
John Forsyth
Director, Morgan Grenfell
Barry Riley
Investment Editor, Financial Times
Tony Vernon-Harcourt
Author, Charterhouse Guide to Top Management Remuneration
Dryden Gilling-Smith
Managing Director, EBS Management

10.00–13.15 WORKSHOP FOR EXPATRIATES
A special workshop on the requirements of men and women living abroad.
Peter Gartland
Editor, The International
Peter Donne Davis
Managing Director, Abbey National (Overseas)
John Crittenden
Manager, Expatriate Services, Lloyds Bank
Donald Elkin
Director, Wilfred T Fry (PFP)
Michael Lenhoff
Portfolio Strategist, Capel-Cure Meyers

14.00–15.30 THE MACALLAN TASTING
An informative and comprehensive nosing of The Macallan single malt whisky through its various vintages
Tutor: **Robin Lambie**
Marketing Manager, The Macallan

14.00–17.15 ALTERNATIVE INVESTMENTS
An examination of areas of interest to collectors by Sotheby's directors, including furniture, paintings, jewellery, ceramics and works of art. Chaired by one of the principal contributors to the BBC Antiques Road Show.
Lecturers: **Simon Taylor**
Christopher Payne
David Bennett
David Battie

18.00–19.30 SOTHEBY'S WINE TASTING
This is a fascinating opportunity to join a tutored tasting of investment quality wines. Numbers are limited.
Tutor: **David Molyneux-Berry MW**
Head of Sotheby's Wine Department
Introduced by: **Edmund Penning-Rowsell**
FT Wine Correspondent

17.00–18.30 REVIEWERS' EVENING
Chaired by the FT Literary Editor and offered on a complimentary basis to a limited number of readers. This distinguished panel will consider the nature and function of reviewing.
Contributors: **Anthony Curtis**
Francis King
Rachel Billington

SATURDAY, 9 JULY

10.00–13.00 CAPITAL PROTECTION AND GROWTH FOR THE YOUNGER INVESTOR
Designed for men and women planning an investment strategy for the longer term.
Richard Lambert
Deputy Editor, Financial Times
David Battie
Director, Sotheby's
John Brennan
FT Property Correspondent
John Edwards
Managing Director, Bailey Shatkin
Deputy Chairman, LIFFE
Anthony Mayer
Director, Rothschild Asset Management

14.00–17.15 INTRODUCTION TO INVESTMENT
The Stock Exchange and its three markets, unit linked investments, high street developments and investor protection are among the subjects to be covered.
John Edwards
Personal Finance Editor, Financial Times
Daniel O'Shea
Director, M & G Investment Management
Author, 'Investing for Beginners'
Ian Morison
Group Corporate Affairs Director, Midland Bank
Colin Chapman
Editor, Financial Adviser
Speaker from The Stock Exchange

HOW TO SPEND IT

14.30–17.00 "HOW TO SPEND IT"
An afternoon with: **Lucia van der Post** (with a lot of help from Harrods)
Invest in yourself and how you look and feel. A team of experts will be on hand to help you all, men and women alike, make the best of that most important person — yourself.

11.00–12.30 / 14.00–15.30 TASTING OF PINK CHAMPAGNE
Two tutored tastings of pink champagne with sparkling examples from leading houses.
Tutor: **Robert Joseph**
Publishing Editor, 'Wine' Magazine

Evening Cruise to Greenwich & Symphony Concert

FRIDAY 8 JULY

A limited number of tickets are available, at £20.00 each, for a boat trip from Westminster to Greenwich for a symphony concert by the NCOS Symphony Orchestra at the Greenwich Borough Hall, with Anna Steiger as soloist and with the German conductor Volker Wangenheim. Return transport is provided.

Programme:

Wagner	Overture Rienzi
R Strauss	Oboe Concerto Soloist: Donovan Ruhle
Dvořák	Rusalka: Song to the Moon
Bizet	Carmen: Suite and Micaela Aria
Granados	The Lover and the Nightingale from Goyescas
Mussorgsky arr. Ravel	Pictures from an Exhibition

The National Centre for Orchestral Studies has been favourably reviewed by the FT and the NCOS is moving into its new home in Greenwich Borough Hall.

A FINANCIAL TIMES CENTENARY EVENT GROUP SPONSOR: Midland Bank plc ASSOCIATE SPONSOR: The Royal Bank of Scotland plc

TICKET APPLICATION FORM

PERSONAL INVESTMENT 1988

I/we shall attend the **Personal Investment Exhibition** and wish to register for the following events.
(Please enter the number of tickets required in the boxes below)

THURSDAY, 7 JULY
- Opening Conference—Capital Protection and Growth ☐ @£10.00=£......
- Personal Financial Planning after the 1988 Budget ☐ @£10.00=£......
- Personal Pensions ☐ @£10.00=£......
- Investing in Gold ☐ @£10.00=£......

SUB TOTAL ______

FRIDAY, 8 JULY
- Capital Protection & Growth for Directors & Senior Executives ☐ @£10.00=£......
- Workshop for Expatriates ☐ @£10.00=£......
- Alternative Investments ☐ @£10.00=£......
- Sotheby's Wine Tasting ☐ @£10.00=£......
- Reviewers' Evening ☐ *FREE*
- Evening Cruise and Symphony Concert ☐ @£20.00=£......

SUB TOTAL ______

SATURDAY, 9 JULY
- Capital Protection & Growth for the Younger Investor ☐ @£10.00=£......
- Introduction to Investment ☐ @£10.00=£......
- "How To Spend It" ☐ @£10.00=£......
- Tasting of Pink Champagne ☐ @£10.00=£......
  ☐ 11.00 or ☐ 14.00

SUB TOTAL ______

PLUS EXHIBITION ENTRY £5.00
☐ *Thursday*
☐ *Friday*
☐ *Saturday*

GRAND TOTAL ______

All tickets and correspondence will be sent to the main applicant (BLOCK CAPITALS please)

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______ *Postcode* ______
Telephone ______
Occupation ______
Name of Guest ______
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______ *Postcode* ______
Telephone ______
Occupation ______

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General enquiries: 01-925 2323

UK COMPANY NEWS

Nick Bunker and **Dai Hayward** look at GA's surprising move for NZI

The abandonment of caution

"I THOUGHT I knew General Accident pretty well," mused one seasoned London analyst yesterday, as he contemplated the composite insurer's £264m move to take 51 per cent control of NZI, New Zealand-based insurance and banking group.

"After this, I wonder if I've been talking to the wrong people."

When it comes to mergers and acquisitions, Perthshire-based General Accident has, over the past two decades, been one of the most inert financial institutions in Britain.

In 1967, in a move aimed at widening its scope beyond its traditional domain of motor insurance, it bought the Yorkshire *Fire & Life* Insurance Company. But then – until the arrival in 1985 of a new finance and investment manager, Mr Ian Menzies – conservatism reasserted itself.

Even since his appearance on the scene, GA has made only one other sizeable insurance acquisition besides NZI – the purchase for £100m in January 1986 of Pilot, an Ontario-based motor insurer.

And the rationale behind the Pilot move was best understood if seen as part of a strategy of expanding GA's big North American non-life insurance operations, by small acquisitions of niche businesses. These included the acquisition of Oregon Auto two years ago.

GA's most high-profile takeover activity has actually been its creation of a 450-branch UK estate agency chain as an extra distribution channel.

So the NZI deal, which centres on the purchase of a 35 per cent stake in the group from Sir Ron Brierley's Brierley Investments, inevitably raises eyebrows.

For two reasons, besides GA's traditional caution, it looks surprising. The first lies in NZI's image as one of Australasia's most dynamic financial services enterprises. It has a bias towards banking which seems to sit uneasily with the heavily non-life-insurance-based culture of GA. This is best personified by Mr Buchan Marshall, chief general manager and a drily humorous, gravelly-voiced accountant from Clydeside.

The fifth largest company on the New Zealand Stock Exchange, NZI has a stock market capitalisation of NZ$1.57bn (£636.4m), with 1987-88 turnover *of NZ$2.25bn, of which* NZ$1.178bn came from insurance, and most of the rest from banking-related activities.

However in the the last few years – spurred on by deregulation of New Zealand's financial sector – it has raised its international profile, and its activities now include corporate banking, unit trust operations and *even* Arbuthnot Latham, the small British merchant bank.

The second surprising feature of the deal is that GA feels happy about deepening its exposure to the Australian non-life insurance market – "an historic graveyard of UK insurers", in the words of one analyst. From 1985-87 the Australian operations of Britain's big quoted composite insurers made underwriting losses averaging 116.5 per cent of premiums.

Plagued by over-capacity, which causes price wars, the Australian market suffers from a high frequency of natural disasters. And insurers are still recovering from the impact of Victoria's 1985 decision to nationalise workers' compensation. This removed premium dollars from the market place, intensifying competition for other types of business.

Ron Brierley, the New Zealand entrepreneur

New Zealand, where NZI has a 20 per cent non-life market share, has been "a little bit better", says Mr Ian MacNeil, of Warburg Securities. But it can *spring surprises*, like last year's earthquake in the Bay of Plenty.

So what does GA want with NZI? And why has GA apparently made this a higher priority than positioning itself within the European Community to meet the challenges of 1992, when cross-border trade in insurance is due to be liberalised?

Mr Menzies maintained yesterday that GA does indeed want to expand in Europe, but, like other British insurers, has found it hard to target available companies for acquisition there, given that many big French insurers are state-owned and West German companies are protected by cross-shareholdings.

When the Brierley stake came up for sale, GA saw a chance to help balance its interests in the UK, the US and Canada, by giving itself a substantial presence in the Pacific Basin.

GA sees this as a developing market. Mr Menzies talks about developing personal lines of insurance business in Malaysia, Thailand and Indonesia, though he stresses that this is "not for this week or the week after, *but* for the long-term".

With regard to NZI's big exposure to Australasian non-life insurance, Mr Menzies says: "It certainly is a difficult place, but NZI has done a lot better than most others," - because, size gives it clout in local markets.

There is room for unease, nevertheless.

Over the last few years, GA has come in for criticism for being over-capitalised. It had an end-1987 solvency margin (shareholders' funds as a proportion of non-life premiums) of 78.8 per cent – *60 points more than the* legal minimum.

The worry is that the NZI acquisition is an attempt to deploy those assets more efficiently. This has only a limited upside because Australasia is a confined market, and the Pacific Basin could take a long time to produce results.

And it could have a big downside from time to time if the region's insurance market behaves true to form.

Berger family to merge two companies

By Paul Cheeseright, Property Correspondent

Palmerston Investment Trust and Reliable Properties, the two quoted companies controlled by the Berger family, will merge into a new company with net assets of £54.3m to be called Palmerston Holdings.

The new company will offer 4.76 shares for each Reliable share and 10 shares for each Palmerston Investment Trust share. Before the merger there will be a disposal of Palmerston Investment Trust shares by the Berger family, a placing of new shares and an open offer of new shares.

The Berger family, which has built up a huge portfolio of residential property, especially in the London area, has 77 per cent of the Palmerston Investment Trust equity and 89 per cent of the Reliable equity. Its shareholding in the merged group will be 59 per cent.

Palmerston Investment Trust has been mainly concerned with commercial property and Reliable with residential. The new group will have a bank of 1,000 flats, but its main concern will be commercial property investment and dealing. Its chief executive will be Mr Colin Gershinson, who joined the companies two years ago.

The new group's assets are largely on the City of London fringe and in London's West End, with isolated holdings in the regions. The bias of the portfolio is towards offices and shops in relatively small units.

The merger, share placings and offers are being handled by CL-Alexanders Laing & Cruickshank and Quilter. The placing involves 154,870 new Palmerston Holdings shares at £31 each and 154,870 old Palmerston Investment Trust shares from the Berger holdings at £9 a share, a sharp discount to the price of £23 prevailing before the merger announcement.

The open offer, at the same prices, covers 157,000 new Palmerston Holdings shares and 157,000 old Palmerston Investment Trust shares from the Berger family.

Coincident with the merger announcement, Palmerston Investment Trust announced pre-tax profits up 79 per cent at £1.16m for the year to last March, and proposed a final dividend of 15p a share bringing total payments for the year to 18p (10p).

Reliable announced pre-tax profits of £1.47m for the nine months to last March, 24 per cent more than was earned in the whole 1986-87 year, and is proposing a final dividend of 6p totalling 9p (6p). At the same time shareholders are receiving a special dividend of £5 a share from a windfall payment related to a 1986 transaction. The Berger family will waive its right to this dividend. The new group forecasts a dividend of 7.5p for the current year.

Crescent Japan battle finishes in unitisation

BY NIKKI TAIT

A LONG-RUNNING, and bitterly-contested battle over Crescent *Japan, a £126m investment* trust managed by Edinburgh Fund Managers, yesterday ended in victory for the American concert party which wanted it to convert into a unit trust.

At a strained but civilised egm in Edinburgh yesterday, 77.7 per cent of the votes cast were in favour of unitisation and only 22.3 per cent against. To implement the scheme, a 75 per cent majority was needed.

Because unit trusts are priced in direct relation to their underlying *assets, such unitisation* schemes aim to eliminate the traditional investment trust "discount".

Crescent, however, has been firmly opposed to such action throughout, maintaining that the fund had a good long-term record, and unitisation was simply a means of making a short-term gain. Although half a dozen major institutional shareholders have consistently backed unitisation, Crescent claimed support from hundreds of small shareholders.

The Crescent board's continued "all-out" opposition was highly unusual and its defence has become something of a "cause celebre". Other investment trusts, faced with shareholder agitation recently, have drawn up compromise proposals – usually allowing a new smaller, ongoing trust to emerge.

Yesterday's majority was only achieved when General Accident, the Perth-based insurance company, abstained from voting its stake of just over 4 per cent in Crescent. After the meeting, Crescent and its advisers, Noble Grossart, said that they had believed GA to be supportive of the board's position until late on Friday afternoon.

They maintained that on Thursday GA said that it was sending its proxy vote down by road, and that it was only on Friday afternoon – when this had not arrived – that they learnt that the insurer would be abstaining.

The Scottish insurance company's decision both surprised and upset Crescent, given its voting behaviour at an earlier egm *and an apparent understanding* that if GA changed its position, Crescent would be given a chance to put its case. Yesterday Crescent chairman *Mr Alan* McInroy questioned – as a matter of general principle – whether individual fund managers should have so much power and autonomy.

However, GA said that although it was against a resolution at the previous egm calling for unitisation proposals to be put forward, it was also against another resolution suggesting that the trust continue in its present form. It believes its position has been consistent.

According to Noble Grossart, there were two other major changes from voting patterns at the previous egm. Scottish Mutual, with around 1 per cent, voted against the board, as did funds under the control of Laing and Cruickshank (just over 3 per cent). The L&C funds previously abstained.

As a result of yesterday's meeting, shareholders will be offered units in the EFM Tokyo unit trust. Yesterday, shares in Crescent jumped 14p to 170p.

Chamberlain Phipps hits £7.6m despite core market downturn

BY ALICE RAWSTHORN

DESPITE A downturn in its core market, the UK shoe industry, Chamberlain Phipps, shoe components and adhesives group, increased pre-tax profits by 27 per cent to £7.6m in the year to end-March on sales 13 per cent higher at £120.6m.

In recent years Chamberlain has broadened its business base by reducing reliance on its traditional shoe components activities, and building up its interests in adhesives. Last year it successfully thwarted a takeover bid from Wardle Storeys, industrial holdings group.

The bulk of last year's £5.3m capital expenditure was ploughed into the Chamtek adhesives division. The two adhesives businesses were merged into one purpose-built plant near Newcastle.

Chamtek saw UK operating profits rise to £2.6m (£2.3m) on sales of £44.8m (£36.2m). Overseas profits rose to £768,000 (£642,000) on sales of £17.7m (£15.1m).

The shoe components division succeeded in increasing margins despite the weakness of the UK shoe industry, where it holds two thirds of the components market.

In the UK, profits from shoe components rose to £3.6m (£2.5m) on sales of £34.7m (£29.9m). Chamberlain benefited from the reorganisation of Vinaflex and from diversication into new products such as rubber for sports surfaces.

The tax rate rose because of tax changes in Canada, and deducted £2.9m (£2.1m). Earnings per share rose to 11.6p (9.2p). The directors propose a final dividend of 4.1p making 5.5p (4.75p) for the year.

● comment

Chamberlain Phipps can count itself lucky that Wardle Storeys mounted its bid last year, when the prospects for the shoe industry were relatively rosy, rather than this when the outlook is distinctly dull. That said, the company should be congratulated for fairing so well in such competitive conditions. A glance at the faltering profits of its shoemaking customers shows just how competently it has coped. Growth from shoe components will be more modest this year, but its should be able to reap the rewards of its investment in Chamtek. The City expects profits of £8.5m this year, leaving the shares – up 11p to 148p yesterday – on a prospective p/e of 10.5 with, perhaps, a little further to go.

B&D in £5m sale to RHM

BY NIKKI TAIT

Barker & Dobson, the Budgens supermarkets and sweets group, yesterday announced that it is selling its Keiller Preserves business to Ranks Hovis McDougall, the bakeries and food company.

RHM is paying £4.1m in cash for machinery, trademarks and goodwill, and an additional cash sum – yesterday estimated very roughly at £700,000 by B&D – for the stock on completion. Keiller Preserves is famous for its quality marmalades, and in 1987 made gross profits of £700,000 on sales of about £2.5m. Net assets are put at around £1m.

The James Keiller company was bought by B&D in late 1985, for £4.9m, from the privately-owned Okhai group. Aside from the marmalade business which accounts for about one-quarter of the group's sales, Keiller also manufactures butterscotch and other confectionery.

RHM plans to move the marmalade manufacturing business to one of its English preserve plants, and B&D says it will use the released space in Dundee to expand its sugar confectionery side. No jobs are expected to be lost as a result of the disposal.

RHM already owns James Robertson and Ledbury Preserves in the UK, and Carriage House Foods in the US.

Yesterday Mr John Fletcher, B&D chief executive, revealed that the company has now sold about half its small stake in Dee Corporation, the food retailer for which it launched a leveraged £2bn bid last December.

At the end of the unsuccessful bid battle, B&D's stake amounted to about 4.6m shares (0.5 per cent), of which 1m have now been sold at 195p and a further 1m at 190p.

CASE profit reinforces takeover defence

BY PHILIP COGGAN

CASE, UK computer networking company, yesterday announced a return to the black for the year to March 31 and issued its defence document detailing arguments why shareholders should reject the £57.3m bid from Gandalf Technologies, Canadian data communications group.

Pre-tax profits of £2.2m compared with losses of £5.4m in 1986-87 and a deficit of £14.73m in 1985-86. CASE said the improvement was a clear indication that continued investment in product and market development over the past three years was beginning to pay off.

CASE's troubles stem from 1984 when, after years as a stock market favourite, the group acquired US-based Rixon. The Watford-based group has been struggling to recover ever since and yesterday's figures reveal that the US operations are still losing money, although the loss was reduced to £1.67m (£6.02m).

The Gandalf offer – 320p cash and one share for every eight in CASE – values CASE at around 92p per share, compared yesterday's trading level of 90p.

In the document, CASE rejects Gandalf's arguments that the bid has commercial logic. The UK group argues that Gandalf's products are fundamentally based on the data PABX architecture, which is rapidly becoming out of date.

CASE also says that the offer significantly undervalues the group. Although it represents a historic multiple of around 48, CASE argues that the prospective multiple would be much lower, though it is not making a profits forecast.

If the bid succeeds, the enlarged Gandalf, says CASE, would be 95 per cent geared, which would limit the group's ability to make acquisitions and to incur expenditure on research and development.

CASE yesterday recommended a final dividend of 0.75p, compared with a nominal dividend of 0.1p last time.

Commercial Union

The stake in Commercial Union, the composite insurer, held by Adelaide Steamship, the investment vehicle of Mr John Spalvins, has risen to 8.001 per cent, CU said yesterday.

Last Friday, Adsteam revealed that it had 7.004 per cent.

Redrawn BET rises to £216.4m

BY CLARE PEARSON

BET yesterday announced a 37 per cent rise in pre-tax profits to £216.4m in the year to end-March, on turnover topping the £2bn mark for the first time at £2.13bn.

Mr Nicholas Wills, chief executive, said a string of disposals and acquisitions during the year, and in the last few months, meant the switch to concentrating on the supply of services to industry was now substantially complete.

The Argus magazine and newspaper publishing business, put up for auction in April, should be sold by the end of July, he said. Interest from prospective purchasers had been encouraging and Argus was expected to fetch more than £200m.

He also revealed that the group intended to sell its remaining bus services in Africa and the UK.

Acquisitions accounted for more than half of the £56.7m increase in operating profits to £240m. Earnings per share rose to 22.1p (19.9p) after a 50 per cent increase in the amount provided for tax to £64.6m (£43.1m) and a 20 per cent rise in the average issued share capital.

In the operating results, activities are split up under the headings of support services and other interests.

Within the latter category, discontinued operations - which accounted for £38.1m (£36.4m) on £410.8m (£392.2m) turnover - comprise businesses which have been or are in the course of being sold. They include television, flight simulation, overseas broadcasting, transport and publishing.

Core service businesses, subdivided into eight activities ranging from scaffolding to textile rental, achieved a 35 per cent rise in turnover to £1.65bn (£1.22bn) giving operating profits of £199.5m (£133.1m).

Textile rental and washroom services was the largest category, chipping in, at the operating level, £62.5m (£50.3m) on turnover of £355.5m (£326.4m). Growth was mainly organic. By contrast, a doubled contribution from cleaning services to £10.1m reflected a series of acquisitions.

Distribution services accounted for £28.2m (£22.1m) of operating profits on turnover of £298.1m (£252m). The unit load business in Europe made a strong showing.

The buoyant UK construction market and the mild winter helped the scaffolding and plant hire services division and the property improvement division. These achieved respectively operating profits of £39m (£18.7m) and £37.2m (£24.3m) on turnover of £278m (£167.7m) and £290.6m (£232.4m).

Some 74 per cent of operating profits were derived in the UK and about 8 per cent in North America. Mr Wills said the completion of the sale of Rediffusion Simulation, after the year-end, meant that BET was now underweight in terms of US earnings.

Group gearing fell to 49 per cent from 63 per cent during the year, with interest cover at ten times. In the autumn, BET will launch a corporate advertising campaign to enhance awareness of what it sees as its more focused structure.

See Lex

Coal side Lifts Anglo United to over £5m

By David Waller

Anglo United, which shed its open-cast mining activities earlier this year as part of a complex deal with Burnett & Hallamshire, yesterday reported pre-tax profits up from £3.25m to £5.19m in the year to April.

Ironically, much of the improvement came from the mines, which produced more than 1m tonnes of coal for the first time and doubled their profits contribution to £4.5m.

Blighted by a mild winter, the fuel distribution business bought from Ward White last summer contributed just £1m on turnover of £50m. The inclusion of this business for nine months accounted for much of the rise in group sales, from £17.3m to £79.94m.

Earnings per share fell from 2.4p to 2.3p after exceptional items.

The company yesterday stressed the strength of its balance sheet following the deal with B & H, which left it with a 31 per cent stake in the enlarged business, renamed NSM. This is in the books at £11.5m, Anglo's share of NSM's net assets, against the £41m market value of the shares.

S & N shares up as Elders IXL raises holding to 8.92%

BY LISA WOOD

Elders IXL, the Australian brewing, financial and pastoral group, has increased its stake in Scottish & Newcastle Breweries from 2.9 per cent to 8.92 per cent with the purchase of shares held by Sir Ron Brierley's IEP Securities.

S & N's shares went up by 9p to 338p per share with the City interpreting Elders accumulation as a possible prelude to a bid – although it may not be in the immediate future.

Mr Alick Rankin, chief executive of S & N, said: "The board of S & N sees the increase in share holding as unwelcome, unless it is long term and supportive.

"Should it be further increased, it is the company's belief that it would be to the disadvantage of the company's commercial and trading interests."

Elders, which is intent on globalising the Foster's lager brand, bought Courage, the UK brewer, two years ago and has built up a 13.1 per cent stake in Greene King, the East Anglian brewer in addition to its stake in S & N.

Elders announced an initial 2 per cent stake in S & N in February and then, as now, refused to comment on its strategy regarding the company. City analysts have been unsure whether Elders would seek either to propose a merger or mount a hostile bid for S & N because any such move would probably run foul of the Monopolies and Mergers Commission.

However, UK Monopolies and Mergers policy could change in the run-up to 1992 and Elders is known to be a long term, if pragmatic, strategist. A merged S & N and Courage would have commercial logic with S & N strong in the North of England and Scotland, and Courage in London and the Home Counties.

S & N already distributes a small amount of Foster's lager to its free trade accounts and, it is understood, would reject any suggestion by Elders that it increase that volume. Elders did unsuccessfully suggest to Greene King, after building its stake, that the East Anglian brewer distribute Foster's.

Building boom helps Vibroplant to £7.5m

BY FIONA THOMPSON

THE CONSTRUCTION industry boom helped Vibroplant, the Harrogate-based plant hire company with interests in the UK and the US, report a 63 per cent increase in pre-tax profits to £7.48m for the year to March 31, 1988.

The advance from £4.58m was made on turnover up 33 per cent, from £26.8m to £35.8m. Earnings per share rose to 65.27p (41.78p) and the final dividend is 8.25p, making a total of 12.5p (10.42p).

Currency translations clipped £200,000 off the profits figure.

In the UK, the general contractors' plant hire operations and the four specialist divisions had a successful year, lifting profits from £3.89m to £6.37m on sales of £26.5m (£21.12m).

The US side saw profits rise from £694,000 to £1.11m, on turnover of £9.32m (£5.76m).

Vibroplant now has four companies in the US, three specialising in vehicle driven aerial access platforms, the fourth in both aerial access and the rental of general equipment such as fork-lift trucks, road rollers, vibrating plates, dumpers, small compressors and pumps. This is similar to the UK general plant hire business.

Demand in the current year was extremely strong, said Mr Jeremy Pilkington, chairman. New orders for private housebuilding, commercial and industrial projects in the UK were healthy and there was considerable further scope for organic expansion in the US.

● comment

These were excellent results and the City marked the shares up 5p to 748p. The mild UK winter obviously helped – first quarter work gave a £750,000 boost to profits, but mainly it was due to rising construction output, hand in hand with higher utilisation, resulting in better margins. Operating profit margins in the UK rose from 21 per cent to 26 per cent and from 18 to 19.5 per cent in the US, the latter held back by the new acquisitions. Hire demand in the UK has been boosted by the withdrawal of the 100 per cent capital allowance on plant and the greater use of subcontractors – who always hire rather than buy. Analysts are looking for pre-tax profits this year of about £9.5m, which produces a prospective p/e of just over 9, reasonable to cheap.

Lovell grows to £5.16m

Y.J. Lovell, housebuilder and contractor, increased pre-tax profits by 30 per cent from £3.97m to £5.16m in the six months to the end of March. Turnover rose from £142.68m to £165.24m and earnings per share from 4.63p to 5.92p.

Without giving a breakdown of profits by division, Mr Norman Wakefield, chairman, said that growth had been more than maintained across the range of its activities.

While private housing had led the advance in profits, other divisions had improved their contributions significantly.

Competition continued to be severe in the contracting division, but private housing had done particularly well.

After turnover of £48m in this division in the first half, full-year turnover should be as much as £116m, and 1,700 completed houses are planned. On the urban renewal side, the target is 1,400 completions.

Tax absorbed £1.8m (£1.39m) and the interim dividend is 1.5p, against 1.25p last time. The shares closed unchanged at 147p.

Weir in NEI acquisition

Weir Group is strengthening its position as the leading pump maker in Britain with an acquisition from Northern Engineering Industries for an undisclosed cash figure.

Through Weir Pumps it is buying certain asets and designs of the W H Allen and Gwynnes Large Pumps business.

The purchase is a further step in Weir's strategy to expand its core business activity in engineered pumps and the associated engineering services field.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Anglo United ......fin	0.8	Oct 1	0.37	1	1.43‡‡
BET ......fin	7	Aug 2	6.5	10†	9*
CASE ......fin	0.75	-	nil	0.75	0.1
*Chamber Phipps ......fin	4.1	Aug 30	3.55	5.5	4.75
Co of Designers§ ......int	1.1	July 29	-	-	-
FKB Group ......fin	3	Oct 4	3.35	5	3.35
French (Thomas) ......int	1.21	Aug 26	1.15	-	2.88
Hobson § ......fin	0.5†	-	-	0.5	-
LandLeisure ......fin	5.5	Aug 10	1	8†	1
Lovell (Y J) ......int	1.5	-	1.25	-	5
ML Holdings ......fin	1.7	Oct 1	1.38	2.3†	1.9
Shelton (Mart.)§ ......fin	1.5	Aug 12	-	2	-
Unit Group ♦ ......fin	3.75	July	1.15	5	1.15
Vibroplant ......fin	8.25	Oct 10	6.88*	12.5	10.42*
Volex ......fin	8	Oct 1	6.7	12	10
Whitecroft ......fin	8.05	Aug 8	7	11.5	10
Wyndham Group ......fin	2	Oct	1.2	3†	2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡‡For 17 months.

BOARD MEETINGS

TODAY

Interims- Ankett Associates, Blick, BWD, Firstland Oil & Gas, Lockers, Watson & Philip.
Finals- Amber Industrial, Argyll, Blacks Leisure, Burndene Investments, Cape Industries, Freshbake Foods, GEI Int'l, Hambros, Meyer Int'l, Reliance Security, Sterling Industries, Wellman.

FUTURE DATES

Interims-

Beckenham	June 24
Hey and Croft	June 30
Kemp PE	June 22
Securiguard	July 7
Southern Business	July 6
Finals-	
Anchor Int'l Fund	June 28
Asda	July 11
Cohen A	June 28
Debenham Tewson	June 30

UK COMPANY NEWS

LandLeisure acquisitions boost profits to £21.5m

BY RAY BASHFORD

LandLeisure, the property and leisure group in which Mr Peter de Savary has a 10 per cent holding, returned a pre-tax profit of £21.5m in the year to April 30 following a series of acquisitions that have altered the group's asset composition.

During the previous 12 months the company returned a profit of £6.4m. However, the purchases which directors said have "transformed" the group make comparisons difficult.

LandLeisure was formerly Alfred Walker, a little-known Midlands property development group in which Mr de Savary had a 30 per cent holding. The company's name was changed in October 1987 when it began a more acquisitive development programme.

The result includes the first full year contributions from Aspinall Holdings, Surrey Park Homes and Neilson Travel while pre-tax profits from Burstin Hotel, RealCare Homes and Passplanet are included from the dates of acquisition.

A breakdown of pre-tax profit shows that £10m came from leisure activities and £11.5m from property and investment. Of the property and investment return, £6m came from the disposal of property assets.

Mr George Martin, chief executive, said that the company returned a £2m profit from the disposal of the 116-bedroom Sloane Club which was purchased in February as part of the £14.1m acquisition of Passplanet, which also owned a freehold property in Manhattan. There are plans to refurbish the 44th street property and develop the site.

The remaining £4m on property disposals came from the sale of assets held by Aspinall, the Mayfair casino operator which was acquired last September, including a hotel/casino in Australia at its written down book value.

Directors said that results from Aspinall have been good and that the contribution grew during the second half of the year.

Mr de Savary said that the company is pushing forward with development plans at its leisure complex at the 107 acre site in Lands End, purchased for £6.8m in November last year. He indicated that the site is expected to generate a turnover of around £5m next year.

Group turnover in the period under review was £46.1m (£29.6m). The tax provision was £6.5m (£2.4m).

The board proposed a final dividend of 5.5p making 8p (1p).

LandLeisure shares closed yesterday 23p higher at 397p.

Acquisitions lift ML to £5.3m

BY CLARE PEARSON

A STRING of acquisitions helped ML Holdings, manufacturing engineer, lift pre-tax profits by 59 per cent to £5.3m in the year to end-March, on turnover ahead 14 per cent from £64.8m to £74.1m.

Companies in the group at the start of the year contributed about 20 per cent of the profits rise, despite the failure of the ML Engineering signalling division to obtain new orders until the very end of the period.

Mr Peter Pollock, chief executive, said the order book exceeded £100m at the year-end. Order levels in the current year were encouraging.

ML would continue to look for UK acquisitions in the defence-related field, as well as other electronic and mechanical systems businesses in the current year.

Gearing was "light" at the moment, the directors said. Two purchases this year, of Slingsby Engineering and electronic components distributor Gothic Crellon, had used up almost three quarters of a £12.8m rights issue in January.

ML was currently involved in bidding within international consortia for contracts to supply weapon carriage and release systems for Eurofighter, the main signalling contract for Eurotunnel (ML Engineering has already embarked on supplying the signalling for the construction railway), and an airborne anti-armour weapon to the Ministry of Defence.

ML's core defence contract, the supply of JP 233 bomb dispensers for Tornado, the UK's main fighter bomber, now represents less than 30 per cent of turnover.

Earnings per share rose 39 per cent to 9.6p (6.9p) and the proposed final dividend is raised to 1.7p making 2.3p (1.9p) for the year.

● comment

The market, which has been enthused by ML's rapid growth since Mr Peter Pollock took over the helm three years ago, had no problems with these results. This time, Yorkshire-based Slingsby Aviation – whose capacity has just been increased by the acquisition of the neighbouring Slingsby Engineering – stood out as particularly successful with its training aircraft in strong demand. But though all seems to be well, there is a concern that the company may overreach itself. Last year's research and development spend of about £1.4m would not go very far at all towards meeting the costs of the kind of contracts ML is bidding for at the moment, so either profits would be severely knocked or accounting policies would have to be changed. Such costs – if they occur – will not be a feature of the current year's results, however. Pre-tax profits of £8.3m are anticipated, giving about 11.1p of earnings and a prospective p/e of over 11.

Summer Intl plans £6.5m share placing

BY CLARE PEARSON

Summer International, the former Sumrie Clothes, is financing its transformation into a training and education company with a £6.5m placing of convertible preference shares.

The proceeds will be used to pay the initial considerations for two companies recently acquired, Language School Holdings and Cranbrook Training and Recruitment, and finance its 19.97 per cent stake in Impact Communications, as well as to reduce indebtedness and provide working capital.

The loss-making Sumrie business was sold to fellow textile company Executex clothes for £40,000 cash. Executex also has the option to buy the Sumrie factory for £334,600. Last year Sumrie lost £348,628 on turnover of £2.12m.

The issue of convertible preference shares is fully underwritten by Interallianz London and there are full clawback provisions for ordinary shareholders. They will beoffered at par on the basis of 1.2 for every ordinary share held.

The conversion price of 85p compares with 68p, at which Summer's shares were suspended on May 16. Dealing in the existing ordinary shares, and those issued as part consideration for some of the acquisitions, should recommence on July 18.

Geevor expands interest in coal with two US buys

BY KENNETH GOODING, MINING CORRESPONDENT

Geevor, the Cornish tin mining company which had a change of management last October and is digging itself more deeply into the coal business, has bought two companies operating in Westmorland County, Pennsylvania, US, for £485,894 in cash and shares.

Mr Eric Grayson, Geevor's new chairman, said the acquisitions bring the company an active coal operation which offers the prospect of a minimum seven years' profitable activity with many expansion opportunities.

The principal vendor is Mr Fred Crack, an English mining engineer and expert in coal-processing equipment.

Geevor is to pay £300,000, to be satisfied by the issue of 300,000 Geevor shares, for Solstat Coal Company. Its principal trading asset is a 72.5 per cent interest in a coal-processing joint venture.

At August 31, the joint venture had net assets of $654,000 (£365,771) and for the eight months to that date the Solstat share of profit before tax, after management expenses, was $68,013 (£38,038).

The UK company will also pay £158,656 for CAC Energy.

The consideration will be satisfied by the issue of 27,518 Geevor shares and £158,656 cash.

Acquisitions lift broader Hobson to £1.4m for year

PRE-TAX profits at Hobson, USM-quoted aluminium fabricator and cosmetics and commodity trader, almost doubled to £1.4m in the year to end-March. The comparable result of £790,000 was for the 15 months to end-March 1987 and included losses from discontinued activities of £172,000.

The 1987–88 figure included results of Images Club, engaged in the promotion of squash and other sports and leisure pastimes and acquired in September as the basis of the leisure and property division; Northwood Group, aluminium stockholder and fabricator, also acquired in September; Carawin, aluminium window and door manufacturer, acquired in November; and the full results of overseas trader Bannacourt Metal following Hobson's purchase of the remaining 25 per cent of its equity.

Hobson, now focused on trading, manufacturing and leisure and property as its three main areas of operation, lifted turnover to £15.18m (£14.58m). Earnings per 5p share worked through at 2.69p (1.53p). The directors propose a maiden dividend of 0.5p.

Micrelec rises 51% to £1.3m

Micrelec Group, the petrol station automation equipment maker which joined the USM in April, increased profits by 51 per cent in the year to end-March. The taxable result of £1.3m compared with £857,000 last time and the £1.28m forecast in its prospectus.

Turnover rose to £7.04m against £4.8m previously, restated on a merger accounting basis following the purchase of the remaining 58 per cent of LSL on March 31 1988. The directors said the review following the acquisition resulted in small provisions being made which produced a loss of £56,000 at LSL. However, they are confident that it will in future make a useful contribution.

The two main subsidiaries, Micrelec and Normond, both achieved significant advances in turnover and pre-tax profit.

Martin Shelton up 41%

Martin Shelton Group, the gift and stationery manufacturer which joined the USM last summer, announced a 41 per cent increase in taxable profits for the year to end-March.

On turnover 20 per cent ahead to £2.24m, the pre-tax result was £431,000, against £305,000 last time. Earnings per 10p share were 6.15p (5.15p), and a proposed final of 1.5p makes a total of 2p for the year.

Mr Paul Martin, chairman, said the acquisition of Coleprint in March resulted in the group becoming the UK's second largest supplier of betting slips. Both this and the increased manufacturing resource were expected to give a material lift to profits.

Thos French ahead

Thomas French pre-tax profits rose 25 per cent from £801,000 to £1m in the six months to April 2. The contribution from its Tekdata subsidiary, since disposed of, fell by £119,000 to £186,000.

The group makes curtain styling products and distributes computer peripherals. There was an exceptional profit of £123,000 on the sale of the building in France. The interim dividend is increased from 1.15p to 1.21p.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

Barbican Holdings (Section: Third Market).

Carbo (Industrials).

Glencar Explorations (Mines-Miscellaneous).

Kelt Energy 6% Conv. Pref. shares (Oils).

P & P (Electricals).

Scott Pickford (Third Market).

Willaire Systems Conv. Cum. Red. Pref. shares (Industrials).

UK COMPANY NEWS

Building supplies pushes Whitecroft to 33% rise

BY PHILIP COGGAN

Whitecroft, the industrial holding company, yesterday announced a 33 per cent rise in preliminary pre-tax profits to £12.14m for the year to March 31.

The star performer of its four divisions was building supplies which more than doubled its operating profits to £2.63m (£1.24m) on turnover ahead from £49.6m to £58.5m. Profits from manufacturing - the group makes doors, windows and texturised coatings - now constitute around a third of the total from that division.

The largest contribution came from the lighting division which increased profits from £3.66m to £4.21m, while turnover rose from £34.4m to £37m. Profits from commercial lighting moved up 24 per cent, thanks to higher sales volume and improved margins, but the precision engineering business had a difficult year

Margins fell in the textile division principally because of the costs incurred in commissioning a plant for the continuous processing of cotton fibre. The coated fabrics and paper business benefited from a significant advance in sales and profits from book covering products. The division's profits rose from £3.37m to £3.85m on turnover up from £26m to £31.5m.

Profits in the property development division increased from £2.27m to £2.95m following expansion in both the number and type of projects undertaken.

Overall, operating profits were £11.9m (£9.2m) and related companies contributed £1.05m (£1.01m). The interest charge fell to £844,000 (£1.1m) after the benefits of a £15.1m rights issue. After tax of £4.24m (£3.2m), earnings per share were 25.9p (23p). The final dividend is being set at 8.05p (7p), making a total of 11.5p

Whitecroft recently sold its 11.4 per cent stake in Eleco Holdings, the construction and building products group, for which it made an unsuccessful bid, for £25m.

● comment

Whitecroft's second set of buoyant annual profits should help the compamny shake off its rather dull image, although the shares were unmoved yesterday at 299p. Miniconglomerates are out of fashion in the current post-Crash climate, although Whitecroft has just come through a substantial period of rationalisation and the bulk of its growth is likely to come organically rather than via acquisitions. The sale of the remaining Eleco stake indicates that any further purchases will be of the bolt-on variety. Growth is likely to be spread pretty evenly across the group - although there are high hopes for the Edward Hall cotton processing plant and there is the prospect of unknown, but probably substantial, profits to come from the Stockport development. Assuming pre-tax profits of £14.5m this year, a prospective p/e of 9.5 looks an undemanding rating.

Era increases holding in Ellis by 650,000 shares to 4.3%

BY ALICE RAWSTHORN

Era Group, furniture and toys concern, has increased its holding in Ellis & Goldstein, the womenswear group which is fighting a hostile bid from Berkertex, to at least 4.3 per cent.

Era began to buy shares in Ellis early last week. By Friday morning it had acquired 600,000 shares, or 2 per cent of the equity. During heavy trading on Friday it increased its stake to 4.3 per cent by buying a further 650,000 shares.

As yet there has been no formal contact between the boards of Ellis and Era. Ellis' share price – which has risen steadily since Berekertex first mounted its cash offer of 95p a share – rose further yesterday from 112p to 114p on hopes of a counterbid.

The Ellis board, which has rejected the Berkertex bid, will publish its defence document either today or tomorrow.

Era, which was originally called "The Times" Veneer, has in recent years expanded its interests in furniture and toys, initially under the chairmanship of Mr David Landau. A team of three former executives of Combined English Stores, who left following its acquisition by the Next retail group, took control last autumn.

The new management team has made clear that it intends to diversify further within specialist retailing through acquisition. The fashion field is one of the areas identified for expansion.

No one from Era was available to comment on its intentions towards Ellis yesterday.

COMPANY NEWS IN BRIEF

GEORGE ARMITAGE: Offer from Marshalls Halifax has been accepted in respect of 3.07m shares, representing 99.89 per cent of the equity. Offer declared unconditional in all respects and open until further notice.

AUDIO FIDELITY's share issue has received applications in respect of 1.04m ordinary shares, approximately 56.6 per cent of the issue.

CLF HOLDINGS: about 89.5 per cent of the rights issue of 22.6m convertible cumulative redeemable preference shares at £1 each has been taken up. The balance has been sold in the market at 108p per share.

COMPASS LEISURE has bought the business and assets of Sandylands Leisure Estate where a receiver was appointed in February. Sandylands, which operates a caravan park and holiday complex at Saltcoats, Ayrshire, has been taken over as a going concern.

CRH has acquired Severn Artstone, a manufacturer of products for decorative concrete architectural detailing, for a total investment of £2.7m, including planned investment in new production capacity.

IMPERIAL CHEMICAL Industries: Merger of new car paint businesses with those of E I Du Pont de Nemours is not to be referred to the Monopolies and Mergers Commission.

LONDON AND EDINBURGH Trust has acquired a 75 per cent stake in Washington Developments for an initial £500,000 and a deferred consideration of £250,000. The deal includes put and call options over the outstanding 25 per cent. Washington's property portfolio comprises 1.7m sq ft of industrial space and 65,000 sq ft of office space over four blocks in Washington.

MEYER INTERNATIONAL has sold the business of its Hurn Bros garden accessories subsidiary to Larch-Lap, an offshoot of Williams Holdings, for about £700,000 cash. Premises of Hurn are excluded from deal and business is to be relocated at Stourport, Worcestershire.

ROYAL TRUST Japan Growth Fund: net asset value per share at March 31 1988 stood at 137.5p (135.1p). Income received in the six months to that date fell to £2,671 (£7,831). Operating expenses of £14,784 (£18,720) left a net deficit of £12,113 (£10,889). A two-for-one scrip issue is proposed.

J SAVILLE GORDON has exchanged contracts for the acquisition of Hickott, a privately-owned property investment group. Purchase price of £615,000 to be satisfied by issue of 1.31m shares to vendors at 47p apiece. Net assets of Hickott at end-March amounted to £704,140.

TOPS ESTATES has conditionally agreed to acquire Triumph Securities, a shop property investment company, from E N Goodman for £5.48m. Net assets amount to £5.95m. The consideration is to be satisfied by the issue of £1.1m ordinary shares, £0.29m nominal convertible unsecured loan stock and a £0.5m redeemable loan stock

VPI Group's research subsidiary, Consensus Research, acquiring HR and H Marketing Research International. Value of assets amounts to approximately £70,000.

Wyndham profits surge to £1.29m

SUBSTANTIAL growth shown by the expanding Wyndham Group in the year ended March 31 1988 represented a fulfilment of the new management strategy, said the chairman Mr Brian Brownhill.

And he saw no reason why the group should not perpetuate that growth throughout the current year.

Interests of the group include property investment, motor sales distribution, financial services and engineering. In the year turnover advanced to £13.78m (£3.33m) and pre-tax profit to £1.29m (£229,000).

Earnings rose to 35.5p (9.6p) and the final dividend is 2p for a total of 3p (2p).

The chairman said the substantial increase in turnover reflected the first full year from the BMW section of the motor division and the fact that all group divisions exceeded forecasts. The new Honda franchise and used car operation only contributed for six weeks.

Acquisitions help FKB profits to near £4m

WITH ITS two principal London agencies showing strong growth and the three main acquisitions contributing significantly, the FKB Group lifted its pre-tax profit from £2.07m to £3.74m in the year ended March 31 1988.

That was made on a turnover of £29.47m (£14.75m). The group is engaged in sales promotion and marketing services.

Mr Alfred Singer, chairman, said the four US companies acquired in March were now well integrated. There was currently under review a number of acquisition opportunities in the UK, US and Europe.

Recent start-up ventures were performing well.

After tax and minorities, earnings came to 18.77p (11.76p) and the final dividend is 3p for a 5p total (3.35p).

Sound growth for Volex

Sound growth has been achieved by Volex, the Manchester-based car wiring, plugs and cable manufacturer. Turnover up 23 per cent at £83.43m from £67.8m produced a pre-tax profit of £6.57m for the year end March 31 1988, up 21 per cent from £5.42m last time.

A final dividend of 8p is proposed, making 12p (10p) from earnings per share of 35.5p (29.4p).

Optometrics expansion

Optometrics (USA), the US optical components manufacturer, reported substantial growth for the year ended March 31 1988.

Turnover of this USM traded group was ahead 13 per cent at $2.9m (or £1.62m).

It produced pre-tax profits up from $82,000 to $184,000, or £103,000. Earnings per share were 1.6 (0.9) cents.

Total debt had fallen by $170,000 to $659,000.

Company of Designers advances 23% halfway

The Company of Designers, the building design group which joined the USM last October, shortly after the stock market crash, has continued to make progress with a 23 per cent increase in pre-tax profits from £458,000 to £565,000 for the six months to end-March.

Mr John Taylor, executive chairman, said the results were encouraging and demonstrated the success achieved by the company since its flotation.

Current trading was very satisfactory, with the number of new commissions received in the half-year substantially greater than those received in the corresponding period. He added that these commissions spanned virtually every sector of the building industry, resulting in a broad income base not heavily reliant on any one particular sector.

Group turnover advanced to £4.21m (£2.71m), and after tax of £215,000 (£177,000), earnings per 5p share came out at 3.4p (3.2p). The interim dividend is 1.1p – 10 per cent more than the estimate contained in the flotation prospectus.

Unit expands to £816,000

Unit Group raised turnover from £13.44m to £19.24m and pre-tax profit from £604,000 to £816,000 in the year ended March 31 1988.

The group makes wooden pallets for industry and is a volume producer of cable reels and drums.

The group currently holds 15 per cent of the UK pallets market. In reels and drums competition put a continuing pressure on margins.

Earnings of this Third Market company rose to 18.1p (17.9p) and the dividend is 5p, the final being 3.75p.

Sugar reaches 5-year high

BY DAVID BLACKWELL

THE RUN-UP in world sugar prices which started on Friday evening continued yesterday after the London Daily Price for raw sugar hit the highest level since August 1983.

The LDP raws price rose by $14.40 to $272 a tonne, while the price for white sugar added $7 to $271 a tonne. Futures prices in both London and New York continued upwards yesterday after rising strongly late Friday, when the second position futures contract for raw sugar closed up $15.20 at $234 a tonne on the London Futures and Options Exchange (Fox).

The strong market sentiment reflected the US drought in the Mid-West, good Chinese buying, and a rumour that Cuba was about to declare force majeure on contracts with several Japanese buyers following recent flood damage to a big loading terminal.

Mr Chris Pack of London sugar trader C. Czarnikow said that Chinese buying re-emerged last week with an off-take of 100,000 tonnes or more. China had been keeping the market alive to the tight supply situation in the Far East, as well as providing a solid floor to the market so far this year.

The US drought had alerted speculators to the potential of soft commodity markets, he said. "There has been a lot of speculation in soya and grain," he said. "People not in these commodities have been looking around for others with strong fundamentals."

The drought is affecting the Red River valley between Minnesota and North Dakota – an area which accounts for a third of the US sugar beet crop.

Cocoa surplus forecast cut

BY DAVID BLACKWELL

GILL & DUFFUS, the influential London trader, has reduced its estimate of the 1987-88 world cocoa crop. In its latest Cocoa Market Report, published yesterday, it put the excess of supply over demand at 111,000 tonnes, down from the 122,000 tonnes it was forecasting in March. It said the lower figure was mainly due to a cut in the estimate for Brazil's Bahia temporao crop.

The new estimate, together with news that the Ivory Coast, the world's biggest producer, planned to continue its policy of withholding cocoa from the market at present price levels, led to a firmer tone on the London futures market in early trading. But the market once again proved unable to hold its gains and talk of fresh West African producer sales, probably by Ghana and the Cameroons, pushed prices lower in the afternoon.

The second position futures contract, which touched £927 a tonne at one time, ended the day £11 down at £901 a tonne.

Gill & Duffus reduced its forecast of gross world cocoa production by 15,000 tonnes to 2,091,000 tonnes. That would result in a net crop of 2,070,000 tonnes – still an increase of 129,000 tonnes or 6.6 per cent over the 1986-87 season.

The background of low historical cocoa prices, however, was continuing to encourage what the report termed "a significant advance in consumption." Grindings rose by 2.7 per cent in 1986-87, and would rise a further 3.6 per cent to 1,959,000 tonnes this season, the report estimated.

"Traditionally, cocoa demand exhibits a relatively small short term responsiveness to price. However, so marked has been the fall in real cocoa and cocoa product prices over the last five years, that lower prices have gradually begun to stimulate increased consumption despite retail constraints on price," said the report.

The report highlighted the Ivory Coast's sales policies as the most critical factor for the availability of current crop cocoa. "Unfortunately, being an essentially political issue, the future of this policy is difficult to predict, but its short term implications have become of greater significance than crop expectations alone, albeit against the present background of a promising new crop."

However, Mr Denis Bra Kanon, the Ivory Coast Agriculture Minister, said yesterday that his country would continue to withhold cocoa from the world market at the current low level of prices.

"The policy of stockpiling will be maintained, because it is necessary," he told a meeting of top government officials and local cocoa industry representatives in the central Ivory Coast town of Divo.

The Ivory Coast stance on exports was only one factor in the complex situation of the cocoa market at present, Gill & Duffus pointed out. The International Cocoa Organisation (ICCO) holds 250,000 tonnes of cocoa in its buffer stock, but futures prices are at historic lows while buyers seeking quality cocoa are paying large premiums.

At the same time the ICCO is owed more than $50m in levies by its members, particularly the Ivory Coast, and could have trouble financing the buffer stock.

That situation could benefit Malaysia, which is not a member of ICCO although it is the world's fourth biggest producer, Gill & Duffus suggested. With its relatively cheap cocoa it is well placed for the possible development of a market for chocolate in the Far East. In addition it is likely to meet increasing demand from European and US manufacturers.

But the report concluded that, even with an optimistic view of consumption growth, "it will be some time before usage moves back into line with total world production, the growth in which certainly looks set to continue for at least another season."

Phillips to test Ekofisk find

BY KAREN FOSSLI IN OSLO

PHILLIPS PETROLEUM Company of Norway has announced plans to commence long duration test production next summer from a new oil find in the prolific Ekofisk area of the North Sea.

Oil industry experts said that test production and seismic surveys, to be undertaken this summer, could show recoverable oil reserves in excess of 200m barrels.

Phillips, which operates the field, talked about a "promising find" but declined to speculate on its size or the recoverability of the oil.

The suggested size of the field is small compared with large North Sea fields such as the Anglo-Norwegian Statfjord (2.5bn barrels), Oseberg, or Gullfaks, but the news of the discovery is considered stimulating at a time when Norway is trying desperately to add to its declining oil reserves.

Oil companies are searching vigorously for smaller North Sea oil accumulations which can be exploited economically by using existing infrastructure.

● Petrocorp, the New Zealand energy group, has announced a major new oil strike at Waihopa, in Taranaki, the centre of New Zealand's oil and natural gas area, writes Dai Hayward in Wellington.

The new field with a production level of 3,000 barrels a day will make it the biggest on shore well in New Zealand.

Petrocorp has been testing since March, and, unlike most new oil strikes, the results have improved since testing began.

The company is not divulging the reserves in the new field for commercial reasons.

Standard aluminium surges to record

By Kenneth Gooding, mining correspondent

STANDARD GRADE aluminium for delivery in three months reached a record £1,700 a tonne yesterday on the London Metal Exchange, up £71 on Friday's level, as analysts warned that further price increases should be expected.

The aluminium shortage and attendant high prices would be "with us for the remainder of the decade," predicted Mr Tony Hayes, analyst with stockbrokers W.I. Carr.

In the short term, "any attempt by consumers to rebuild their inventories, a usual feature at this stage of the demand cycle, will obviously add fuel to an already blazing fire," he added.

Mr Hayes said there was "a high probability" that there would be a shortage of 300,000 tonnes of the metal this year and 550,000 tonnes in 1989.

According to Mr Robin Bhar, an analyst with London-based metal traders Rudolf Wolff: "The current price shows we have a long way to go before aluminium supply catches up with demand. Prices won't come down quickly".

Mr Bhar suggested that the market was becoming increasingly nervous about the prospect of a dispute at Alcan's Kitimat aluminium smelter in British Columbia, Canada, where the current three-year labour agreement ends on July 23.

Kitimat produces more than 230,000 tonnes of aluminium a year.

The crucial day in the Alcan negotiations nearly coincides with the LME July options delivery date – July 20. Options delivery days in the past have almost invariably brought upward pressure on prices.

Trading in aluminium started with a brief flurry yesterday after the LME revealed that stocks in its warehouses rose by 8,475 tonnes last week to 92,825 tonnes, well below what had been expected.

However, although 24,600 tonnes was attracted to LME warehouses, this was heavily offset by a substantial shipment of high grade aluminium out of the exchange's Singapore warehouse, possibly destined for Japan, traders said.

● We have been asked to point out that our article on Venezuelan aluminium last week failed to point out that Venalum has earmarked 14,000 tonnes for export to National Aluminium Corporation of Pittsburgh.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium standard	+8,100	to	55,600
Aluminium high grade	+375	to	27,225
Copper Grade A	+6,300	to	80,625
Lead	+15,300	to	56,600
Nickel	+222	to	3,834
Zinc	−825	to	35,875
Tin	−365	to	16,355
Silver (oz).	−452,000	to	16,484,000

Hopes high for UK sugar crop

FARMER'S VIEWPOINT

By David Richardson

THE TECHNOLOGY INVOLVED in growing sugar beet becomes more sophisticated every year. But ever since the first British crop was grown in Norfolk just after the turn of the century one reference point has remained the same – the leaves must meet across the rows by the Norfolk Show, which is always held on the last Wednesday and Thursday of June.

My home county, does, I'm afraid, claim almost proprietorial rights over the nation's sugar beet. Chosen by the Dutch as the best area in which to build the first processing factory, Norfolk still produces 30 per cent of the UK's crop. A further 60 per cent is spread between half a dozen East Anglian counties and the remaining 10 per cent is grown in the West Midlands.

Almost a quarter of the country's 11,000 growers are concentrated in my county and at this time of year we share a common preoccupation. For if by the end of June the cabbage-like leaves of the sugar beat plants grow sufficiently to touch those of the plants of the adjacent row 18 to 20 inches away we can be sure of a respectable crop.

It's a reliable rule of thumb. In order to convert the energy of summer sunshine into sugar the leaves must be as large as possible; and to preserve soil moisture which makes the sugar bearing roots expand it is also necessary for the leaves to cover the land. The sooner they reach that stage of growth the better.

This year leaf cover was complete on many sugar beet fields by about the 10th of June – three weeks ahead of target. The last time that happened was in 1982 and that year Britain produced a record crop, which yielded 1.42 million tonnes of sugar.

That does not necessarily mean that 1988 will be another record year. It so happens that on my own farm and a fair number of others in the east growth is not quite so advanced because of cool weather coming off the North Sea and there's still time for a great many things to go wrong.

At present, for instance growers are attempting to control aphids or green fly which are widespread on sugar beat. Populations multiply every few hours in warm sunny weather and quite apart from sucking the sap from growing plants the insects can carry a disease called virus yellows, which is capable of devastating beat crops.

This year however experts are relatively sanguine about the aphid attack. They believe there were few sources of the virus last winter and that the ancestors of the present swarms were unlikely to have been affected. Furthermore they think that most of the aphids around at present are free of infection and pose little serious danger.

There is also the possibility of a drought. A crop like sugar beat requires a great deal of moisture and as news of near dust bowl conditions in part of the American mid-west filters across the Atlantic farmers wonder whether the same kind of conditions may come to Europe – it has happened before.

Paradoxically the wet British winter will have made some fields more vulnerable to an extended dry period because of damage done to soil structure.

Another possible threat is Rhizomania or root madness, the dreaded disease which was discovered for the first time in this country on a Suffolk field last August. Comprehensive testing of soils around the outbreak by the Ministry of Agriculture in conjunction with British Sugar, the monopoly processor of UK beat, has so far failed to reveal further cases. But the search goes on so that any remaining traces of Rhizomania can be isolated.

The ruinous disease has become widely established in many other European countries. Once present in soil the virus can cut both root weight and sugar yield to non-viable levels of less than half optimum; it can stay active in soil for an indeterminate number of years and there is no known cure.

Judging by the negative results of last year's investigations, however, it seems unlikely that Rhizomania will be a significant factor this time. The major proportion of the national crop has got off to a good start and given a reasonable balance between rain and sunshine from now until the autumn there is every prospect of very good yields.

For farmers fortunate enough to have a quota to grow sugar beat that would provide a welcome boost to incomes eroded by a series of cuts in the guarantee price of cereals. EC sugar guarantees have been held virtually unchanged at £330 a ton (compared with the current world price of one-third that level) in spite of a European surplus. This means that after allowing for processing costs and profit British Sugar is able to pay growers around £27 a ton for roots containing 16.5 per cent of sugar and sugar beat remains one of the most attractive crops for farmer to grow.

A high-yielding crop would be good for British Sugar too which also benefits from the EC's cast-iron guarantees for the vast bulk of what they process – the so-called A and B quotas. Only the marginal C quota is sold on to world markets, growers being paid according to the price realised. Last year farmers received only £6 a ton for their seed quota although this year in spite of the falling US dollar, in which sugar is traded, the figure is expected to be a little higher because world markets have hardened as carry-over stocks have been reduced.

Israel seeks renewed zest from fruit hybrids

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI citrus industry, severely bruised by its worst season in a decade, is banking on a rapid increase in the sale of new hybrid fruits to restore its fortunes over the coming years.

Among the exotic products the Citrus Marketing Board will be pushing hard in its principal markets, in Western Europe, are such oddities as the murcot, the minola and the santina. Already better known among the new crops are the "pomelo", "sunrise" and "sweetie" grapefruit variants.

Apart from the pomelo, at present none of these fruits have more than a one per cent share of the Israeli citrus export basket. But the board hopes that by 1992 they will together represent over a third of sales, displacing the lower-value navel and valencia oranges and the standard grapefruit.

Israel's traditional domination of the Western European market has come under strong challenge in recent seasons from Spain and Morocco. And, adding to the country's woes last year, particularly in grapefruit, was a new challenger benefitting from the cheaper dollar: the US.

A combination of bad weather conditions and labour disruption during the picking and packing season reduced Israel's citrus yield in the recently-ended 1987-88 season to 1.1m tonnes from 1.45m tonnes in 1986-87. Exports of fruit were down by 10 per cent, in both volume and value. Instead of a forecast $209m, revenues declined to $180m – compared with $199m the previous year.

An increase in sales to the local canning and juice industries brought overall revenues up to $340m, exactly the same as in 1986-87. In terms of Israeli shekels, however, that represented a substantial decline.

Israeli citrus growers can hardly be blamed at the moment for complaining about their bad luck. First they suffered a heat wave in the spring of 1987, which damaged the flowering fruit; then came unusually severe hailstorms last winter. In the spring, when the orchards were just about to pick their ripening fruit, came another thunderbolt – the work boycott of Israel by Palestinians resident in the occupied territories.

At its most intense, the stoppage probably lasted no more than two months. But, unfortunately, that coincided with the peak period for picking and packing of the citrus crop, for which the industry is heavily reliant on Arab labour. To save the crop, the government gave special permission for labourers to be brought in from abroad – up to 400 came in from Portugal and a similar number from Lebanon – and allowed West Bank Palestinians to sleep overnight in the fields.

Chastened by its experience the industry is moving quickly towards the mechanisation of sorting and packing. Agriculture Ministry scientists are also experimenting with the possibility of miniaturising trees, so as to ease the picking problem, while maintaining yields.

Just as the growers were thinking the worst was over and were looking forward to a better 1988-89 season, along came this May's heatwave, reducing the forecast production by as much as 30 per cent.

Mr Reuven Eiland, chairman of the CMB, said this week that next year's exports are unlikely to go above the 510-520,000 tonne range, compared with 500,000 tonnes last season and 550,000 in 1986-87. Considering that the coming season had been expected to be particularly bountiful, the forecast must have come as a severe disappointment for the growers.

The citrus chief was highly critical of the Government's near freeze of the foreign exchange rate against the US dollar. He complained that since mid-1985 domestic inflation had risen by 60 per cent, while there had been no compensation for exporters

European Community protectionism and subsidised exports of fruit to Eastern Europe – a market Israel has been unable to penetrate to any significant extent – also came in for its share of blame.

Against this recent catalogue of woes, Mr Eiland, stressing the high quality of Israeli fruit and the country's well established foreign marketing network, insisted that the traditional Israeli farm industry still has a bright future.

Sticking his neck out, he forecast that in the 1989-90 season exports would rebound from the two bad years and hit the 650,000 tonne mark.

This optimism is founded margely on a five-year plan intended to cut the share of navel oranges and standard grapefruit in citrus export earnings from 60-63 per cent to 45-47 per cent by 1992.

WORLD COMMODITIES PRICES

LONDON MARKETS

LONDON SOYAMEAL futures again rose strongly at the Baltic Futures Exchange yesterday, with the October contract adding £16 to close at £198 a tonne. The market responded to sharply higher prices in both the UK and Europe, and limit gains in Chicago. On the LME lead prices closed well ahead in spite of a rise in LME warehouse stocks of 15,300 tonnes. This news was not completely unexpected as traders had been expecting arrivals of around 9,000 tonnes of Australian lead delayed from the previous week plus further arrivals from the same origin last week. Initially prices eased, with the premium for cash metal over three-month narrowing at one stage to £5 a tonne from Friday's £13.50. But buyers were attracted by the market's strength, and the cash premium widened to £14.50. Zinc prices also advanced on expectation that today's US Mint tender will highlight the tightness of supplies, particularly of top quality metal.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.53-3.58z	-0.28
Brent Blend	$15.13-5.18u	-0.28
W.T.I (1 pm est)	$16.06-6.09u	-0.47
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$185-188	-3
Gas Oil (Soviet)	$132-135	-0.5
Heavy Fuel Oil	$68-70	-1
Naphtha	$148-151	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$453.375	+3.125
Silver (per troy oz)♣	727c	+17
Platinum (per troy oz)	$569.60	+11.10
Palladium (per troy oz)	$130.25	+1.50
Aluminium (free market)	$3680	+410
Copper (US Producer)	115-116⅝c	-1½
Lead (US Producer)	36.0c	+0.5
Nickel (free market)	670c	
Tin (European free market)	£3982.5	+27.5
Tin (Kuala Lumpur market)	18.09r	
Tin (New York)	329.25c	+0.75
Zinc (Euro. Prod. Price)	$1170	
Zinc (US Prime Western)	63.5c	
Cattle (live weight)†	113.97p	-2.66*
Sheep (dead weight)†	175.59p	-28.31*
Pigs (live weight)†	72.44p	+0.72*
London daily sugar (raw)	$272.0y	+14.4
London daily sugar (white)	$271.0y	+7.0
Tate and Lyle export price	£260.5	+8.0
Barley (English feed)	£106.5z	+0.5
Maize (US No. 3 yellow)	£137	
Wheat (US Dark Northern)	£118.75y	
Rubber (spot)♥	81.0p	+0.5
Rubber (July)♥	86.5p	+0.5
Rubber (Aug)♥	87.0p	+0.5
Rubber (KL RSS No 1 July)	377.5m	+2.0
Coconut oil (Philippines)§	$630x	+20
Palm Oil (Malaysian)§	$500u	
Copra (Philippines)§	$405	
Soyabeans (US)	£217	
Cotton "A" index	70.25c	+0.85
Wooltops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-July. x-Jul/Aug. s-Jul/Sep. z-Aug. y-Jun/Jul. q-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jly	879	890	905 879
Sep	901	912	927 896
Dec	918	940	952 916
Mar	942	963	976 940
May	960	984	990 974
Jul	978	1003	976
Sep	997	1022	

Turnover: 7374 (3546) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 17: 1188.48 (1197.93). 10 day average for Jun 20: 1203.41 (1207.57)

COFFEE £/tonne

	Close	Previous	High/Low
Jly	1127	1135	1132 1121
Sep	1137	1148	1144 1134
Nov	1150	1162	1155 1145
Jan	1159	1174	1168 1158
Mar	1171	1187	1177 1172
May	1183	1200	1190 1183

Turnover: 1358 (3036) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 17: Comp. daily 1979 120.91 (120.72); 15 day average 119.91 (119.60).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Aug	247.80	238.40	253.00 240.00
Oct	240.80	234.00	244.80 234.00
Dec	241.00	234.00	235.00 235.00
Mar	235.60	230.40	239.80 231.60
May	233.40	227.00	234.00 232.00
Aug	233.80	227.00	
Oct	233.40	227.00	

White	Close	Previous	High/Low
Aug	274.00	269.50	275.00 268.00
Oct	268.00	262.00	270.00 261.00
Dec	268.50	262.00	261.00 261.00
Mar	266.50	263.00	267.00 260.00
May	266.00	263.00	261.80 260.00
Aug	267.00	265.00	261.80 260.00
Oct	268.00	265.00	261.80 260.00

Turnover: Raw 7168 (3513) lots of 50 tonnes; White 1517 (1134).
Paris- White (FFr per tonne): Aug 1635, Oct 1590, Dec 1595, Mar 1595, May 1595, Aug 1605

GAS OIL $/tonne

	Close	Previous	High/Low
Jul	133.25	134.75	133.75 132.25
Aug	132.75	134.50	133.50 132.00
Sep	134.25	136.25	135.00 133.25
Oct	135.75	138.00	137.00 134.00
Nov	137.25	139.50	137.00 136.00
Dec	138.25	140.75	138.75 137.75

Turnover: 6016 (3879) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jly	108.00	107.50	108.00 107.75
Sep	108.65	106.65	108.65 107.40
Nov	111.00	109.00	111.00 109.75
Jan	114.00	112.00	114.00 112.75
Mar	116.05	113.90	116.05 114.55
May	118.05	116.00	118.05 116.80

Barley	Close	Previous	High/Low
Sep	104.10	103.05	104.10 103.55
Nov	106.70	105.55	106.70 106.05
Jan	109.75	108.65	109.75 109.15
Mar	112.00	110.90	112.20 111.40
May	113.70	112.70	113.75 112.70

Turnover: Wheat 492 (326), Barley 315 (234) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,000 tonne
Cash	3920-40	3700-30		3870-90		
3 months	3090-100	2870-300		3060-80	3010-30	5,685 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 22,375 tonne
Cash	2150-70	2060-80	2125/2120	2120-5		
3 months	1699-701	1626-30	1703/1650	1681-2	1673-5	51,181 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,650 tonne
Cash	1342-7	1330-5	1353	1353-4		
3 months	1270-2	1250.5-1.5	1275/1264	1273-5	1264-6	67,846 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1285-305	1300-10		1280-305		
3 months	1235-45	1205-15		1230-40		50 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	722-5	705-8		718-8.5		
3 months	738-41	717-20		731-3	735-7	695 lots
Lead (£ per tonne)						Ring turnover 12,400 tonne
Cash	385-7	375-7	378/377	377-8		
3 months	371-2	362-3	375/358	366-7	370-1	11,829 lots
Nickel ($ per tonne)						*Ring turnover 1,254 tonne*
Cash	15630-80	15500-600	15800/15700	15700-800		
3 months	14500-40	14500-600	14500/14400	14475-500	14500-700	5,716 lots
Zinc (£ per tonne)						Ring turnover 10,325 tonne
Cash	775-7	758-62	784	784-5		
3 months	729-30	717-8	738/722	721-2	735-7	21,836 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	96.0	94.5	95.0 94.4
Feb	104.0	104.0	
Apr	147.0	143.7	148.0 145.9
May	157.5	154.0	158.0

Turnover: 423 (304) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	189.00	183.00	190.00 187.00
Oct	198.00	182.00	198.00 184.50
Dec	201.00	185.50	200.00
Feb	206.00	188.00	

Turnover: 200 (257) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jly	1230.0	1240.0	1242.0 1225.0
Oct	1390.0	1381.0	1396.0 1370.0
Jan	1425.0	1420.0	1425.0 1410.0
Apr	1440.0	1443.0	1440.0
BFI	1254.0	1268.5	

Turnover: 305 (312)

TEA
There were 28,631 packages on offer including 8,600 for offshore sale, reports the Tea Brokers Association. A good demand prevailed. Best liquoring East African CTC's continued to meet useful competition and prices were often 5-10p dearer. Mediums were very irregular with plainer types frequently several pence lower. Coloury Central Africans ruled firm to dearer while the remainder showed little change. Bright Ceylons sold well and were often dearer but plainer sorts were irregular and sometimes lower. Offshore teas met strong demand at firm rates apart from plainer Kenyas which lost ground. Quotations: quality 158p (148p), medium 100p (same), low medium 76p (74p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	453-453¼	254-254½
Opening	454¼-454¾	254-254½
Morning fix	453.9	253.675
Afternoon fix	454.21	254.24
Day's high	454½-455	
Day's low	452¼-452¾	
Coins	**$ price**	**£ equivalent**
US Eagle	467-472	261½-264½
Mapleleaf	467-472	261½-264½
Britannia	467-472	261½-264½
Krugerrand	452-455	253-255
1/2 Krug	236-245	132⅛-137⅛
1/4 Krug	117-125	65½-70
Angel	467-472	261½-264¼
1/10 Angel	47-52	26¼-29½
New Sov.	106½-107½	59½-60¼
Old Sov.	106½-108	59½-60½
Noble Plat	607.2-614.65	339.6-43.75

Silver fix	p/fine oz	US cts equiv
Spot	404.20	722.50
3 months	413.45	736.45
6 months	423.30	751.15
12 months	442.85	781.10

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sept	July	Sept
3000				275
3200			151	
Aluminium (99.5%)	**Calls**		**Puts**	
3000		280		
3200	156			
Copper (Grade A)	**Calls**		**Puts**	
2250		169		
2400	66			

US MARKETS

FOLLOWING A FIRM opening, precious metals came under pressure from a combination of local and commission house selling as the U.S. dollar strengthened, reports Drexel Burnham Lambert. Light trade buying was noted, although the markets were able to penetrate near term support areas, which led to sell stops being elected on the decline. Copper broke support areas on mixed and local selling which touched-off stops as the market reacted to an apparent build-up of stocks. Energy futures fell with trade selling in the face of scale-down commission house buying. Expiring July crude oil especially came under pressure. Coffee fell as traders continued to liquidate expiring July positions. Sugar rallied sharply as follow-through buying by speculators extended gains made on Friday in *response to reports that Cuba was having* delivery difficulties. Trade selling was apparent. Cocoa eased mid-day as reports of possible origin selling depressed values in the absence of industry buying. The grains continued sharply higher, only the wheat failed to remain at limit-up as a result of hedge selling.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	450.7	454.5	454.2	450.1
Jul	451.5	455.3	0	0
Aug	454.5	458.3	458.6	453.5
Oct	458.9	463.7	463.9	458.6
Dec	465.3	469.1	469.5	464.1
Feb	470.8	474.6	0	0
Apr	476.4	480.2	0	0
Jun	482.0	485.8	0	0
Aug	487.9	491.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jun	584.1	587.7	0	0
Jul	585.6	589.2	595.0	581.9
Oct	591.6	595.2	601.0	587.0
Jan	597.6	602.0	608.0	595.0
Apr	604.6	609.5	0	0
Jul	612.1	617.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	717.5	723.5	0	0
Jul	719.5	725.5	733.0	713.5
Aug	724.5	730.4	0	0
Sep	729.5	735.3	743.0	723.5
Dec	745.0	750.5	758.0	736.5
Jan	749.8	755.3	762.0	759.0
Mar	760.5	766.1	772.0	755.0
May	771.5	777.0	779.0	779.0
Jul	783.0	788.5	791.0	790.5
Sep	794.5	800.0	803.0	803.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	106.30	109.00	106.30	106.30
Jul	102.45	104.00	104.00	101.10
Aug	99.40	100.40	0	0
Sep	96.35	96.70	97.10	95.50
Dec	90.00	90.00	90.50	89.50
Jan	88.50	88.50	0	0
Mar	85.10	85.00	85.30	84.90
May	82.70	82.70	82.70	82.70
Jul	81.35	81.95	82.00	81.95
Sep	80.35	81.35	81.00	79.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	16.08	16.45	16.35	15.97
Aug	16.36	16.57	16.49	16.28
Sep	16.48	16.63	16.56	16.38
Oct	16.62	16.70	16.64	16.50
Nov	16.69	16.74	16.69	16.60
Dec	16.72	16.77	16.74	16.66
Jan	16.73	16.78	16.77	16.66
Feb	16.67	16.78	16.70	16.67
Mar	16.67	16.78	16.70	16.65
Apr	16.70	16.78	16.70	16.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	4340	4364	4360	4320
Aug	4370	4398	4395	4355
Sep	4445	4464	4470	4430
Oct	4540	4553	4565	4525
Nov	4615	4633	4650	4615
Dec	4710	4713	4725	4685
Jan	4746	4748	4746	4720
Feb	4725	4743	4750	4725
Apr	4495	4475	4507	4475

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1480	1515	1527	1476
Sep	1500	1536	1543	1497
Dec	1517	1556	1564	1502
Mar	1550	1590	1595	1547
May	1571	1615	1610	1570
Jul	1596	1640	1633	1602
Sep	1621	1665	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	136.38	138.50	138.25	136.25
Sep	138.09	139.26	138.75	137.56
Dec	139.06	140.74	139.60	138.50
Mar	139.50	140.51	139.76	138.75
May	139.00	140.14	139.90	138.00
Jul	140.51	140.75	139.26	139.25
Sep	141.00	139.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.87	10.34	10.93	10.53
Oct	10.73	10.34	10.84	10.52
Jan	10.54	10.04	10.50	10.50
Mar	10.49	10.11	10.61	10.30
May	10.37	10.03	10.45	10.14
Jul	10.30	10.00	10.43	10.14
Oct	10.28	10.00	10.34	10.12

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	69.45	68.00	69.85	68.80
Oct	68.70	66.90	68.90	68.05
Dec	67.83	65.92	67.92	67.20
Mar	68.50	66.50	68.50	67.90
May	68.70	66.70	68.70	68.50
Jul	68.70	66.70	68.50	68.40
Oct	65.70	64.55	65.70	65.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	176.00	175.75	176.50	175.00
Sep	173.55	173.75	174.40	172.95
Nov	166.85	165.70	167.40	165.90
Jan	161.10	159.20	161.10	159.35
Mar	160.30	158.00	160.05	158.60
May	160.10	157.00	160.00	160.00
Jul	159.25	156.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

June 17	June 16	mnth ago	yr ago
1925.4	1958.7	1808.5	1617.9

DOW JONES (Base: December 31 1974 = 100)

Spot	142.12	141.43	134.11	128.37
Futures	143.65	142.68	135.61	125.29

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	1001/4	1971/4	1001/4	1001/4
Aug	1004/0	1974/0	1004/0	1004/0
Sep	995/4	965/4	995/4	995/4
Nov	984/4	954/4	984/4	984/4
Jan	981/0	951/0	981/0	981/0
Mar	974/4	944/4	974/4	974/4
May	965/0	925/0	965/0	955/0
Jul	942/0	912/0	942/0	942/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	28.91	27.91	28.91	28.91
Aug	29.15	28.15	29.16	29.15
Sep	29.35	28.35	29.35	29.35
Oct	29.50	28.50	29.50	29.50
Dec	29.56	28.56	29.56	29.56
Jan	29.47	28.47	29.47	29.47
Mar	29.40	28.40	29.40	29.40
May	28.97	27.97	28.97	28.97

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	312.5	302.5	312.5	312.5
Aug	309.7	299.7	309.7	309.7
Sep	307.0	297.0	307.0	307.0
Oct	305.7	295.7	305.7	305.7
Dec	304.7	294.7	304.7	304.7
Jan	302.2	292.2	302.2	302.2
Mar	298.0	288.0	298.0	298.0
May	295.0	285.0	295.0	295.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	324/4	309/4	324/4	324/4
Sep	332/4	317/4	332/4	332/4
Dec	340/4	325/4	340/4	340/4
Mar	340/4	325/4	340/4	340/4
May	335/4	320/4	335/4	335/4
Jul	331/4	316/4	331/4	331/4
Sep	299/0	284/0	299/0	296/0
Dec	270/2	260/4	274/0	268/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	401/2	391/4	401/4	396/0
Sep	408/4	392/6	412/6	405/0
Dec	413/4	401/6	421/4	411/0
Mar	412/0	402/0	422/0	412/0
May	394/0	380/4	400/4	394/0
Jul	364/0	351/0	371/0	364/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	70.60	70.22	70.75	69.60
Aug	64.20	64.45	64.95	63.35
Oct	64.65	64.50	65.35	63.60
Dec	66.67	67.75	69.25	67.00
Feb	71.37	69.87	71.37	69.60
Apr	73.35	71.85	73.35	71.97
Jun	73.70	72.20	73.70	72.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	50.46	49.60	51.10	49.75
Jul	46.65	47.62	48.37	46.45
Aug	45.47	46.17	46.50	44.95
Oct	42.72	42.65	43.40	41.90
Dec	45.45	44.95	45.90	44.75
Feb	50.12	48.62	50.12	49.05
Apr	49.05	47.55	49.05	48.60
Jun	53.17	51.67	53.17	52.17

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	41.97	43.10	43.75	41.85
Aug	41.65	42.80	43.60	41.80
Feb	63.32	61.32	63.32	61.80
Mar	62.65	60.65	62.65	62.00
May	62.40	60.40	62.40	62.40
Jul	61.80	59.80	61.80	61.80

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar improve

STERLING IMPROVED against the dollar and D-Mark yesterday, helped by a further rise in UK interest rates and better than expected money supply data. M3 sterling bank lending rose by £3.3bn in May after a £5.8bn increase in April while M4 bank/building society lending was higher by £5.7bn against a rise of £8.2bn in April.

In addition, the narrowly defined M0 money supply aggregate rose by a seasonally adjusted 0.5 p.c. in May against 0.9 p.c. in April, bringing the year on year rate down to 5.7 p.c. from 5.9 p.c. While this was still outside the 1-5 p.c. official growth target, it was sufficient to restore a little confidence in the pound.

Against the dollar it rose to $1.7845 from $1.7830 and touched its best level since the beginning of the month against the D-Mark, closing at DM3.1400 from DM3.1250. It was also higher against the yen at Y225.25 from Y224.50. Elsewhere it finished at SFr2.6100 from SFr2.5975 and FFr10.5850 compared with FFr10.5375. On Bank of England figures, the pound's exchange rate index closed at 76.4, unchanged from the opening, but up from 76.2 on Friday.

Meanwhile the Toronto summit continued to hold investors' attention. Mr James Baker, US Treasury Secretary, said that he, and other finance ministers believed that inflation (in G7 nations) was pretty much under control, although he added: "While there is an air of satisfaction, I don't believe there is an air of complacency."

The dollar benefited from Mr Baker's remarks, and the prospect of higher interest rates in West Germany and the UK were shrugged off by the dollar as it rose to its best level against the D-Mark since October last year. In addition, recent intervention by the Bundesbank to sell dollars had encouraged some investors to lighten their dollar holdings, but renewed demand for the US unit had prompted many to cover short positions, thus increasing demand for the dollar.

The dollar closed at DM1.7600 from DM1.7530 and Y126.20, up from Y125.85. Elsewhere it rose to SFr1.4625 from SFr1.4570 and FFr5.9300 compared with FFr5.9100. On Bank of England figures, the dollar's exchange rate index was unchanged at 94.4.

The D-Mark was lower against the dollar mainly because the market saw a probable small rise in West German interest rates as being insufficient to restore the D-Mark's international attraction as an investment currency. The dollar was fixed at DM1.7539 in Frankfurt, up from DM1.7499 on Thursday, and while there was no intervention by the Bundesbank at the fixing, there were reports that the authorities had sold dollars at around DM1.7555 in the open market.

Elsewhere, the Australian dollar broke through a key resistance level of US$0.8200 in Sydney, and touched its best level against the US dollar for three and a half years, at US$0.8230. High interest rates continued to underpin the Australian unit, with Westpac pushing up its prime rate to 15 p.c., in line with the increase recently announced by other major banks.

The dollar's improvement came despite further intervention by the Australian Reserve Bank, which sold its own currency at US$0.8170. In London it opened at US$0.8215, well up from Friday's close of $0.8135 and closed steady on the day at US$0.8215.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4920	+2.43	+1.10	±1.5344
Danish Krone	7.85212	7.90161	+0.63	-0.70	±1.5404
German D-Mark	2.05853	2.07793	+0.94	-0.39	±1.0981
French Franc	6.90403	7.00774	+1.50	+0.17	±1.3674
Dutch Guilder	2.31943	2.33781	+0.79	-0.54	±1.5012
Irish Punt	0.768411	0.773261	+0.63	-0.70	±1.6684
Italian Lira	1483.58	1542.08	+3.94	+3.17	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts and US bonds weaker

STERLING BASED contracts continued to lose ground in yesterday's Liffe market. Better than expected bank lending and money supply figures provided only a temporary respite from the recent build up in pressure for a rise in base rates. Sentiment continues to be influenced by the weight of recent economic data, which has raised concern that the economy may be overheating.

Consequently the improvement from an opening level of 90.12 to 90.25 in three-month sterling deposit futures for September delivery proved to be short lived, and the contract came back to finish at 90.11, only three ticks above the day's low, and down from 90.29 on Friday.

Long term gilt futures followed a similar pattern, opening at 95-16 and touching a best level of 95-21 before sliding away to 95-19, down from 95-29 previously.

US Treasury bond futures suffered a loss of confidence and finished a full point lower. Concern that interest rates could be increased in West Germany, Japan and the UK, pushed values lower, while the possibility of a US 30-year Treasury bond auction in August continued to undermine sentiment.

With little sign of an end to the drought affecting parts of the US, which has pushed grain and soybean futures sharply higher just recently, investors prefered to keep their positions short, and the September price fell to 86-14 from 86-27 at the opening and 87-14 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	544	560	6	14
92	352	416	14	34
94	211	253	37	107
96	62	146	124	200
98	22	61	248	315
100	8	30	434	448
102	3	14	629	632

Estimated volume total, Calls 2643 Puts 3043
Previous day's open int. Calls 22670 Puts 29485

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	639	619	11	47
82	456	453	28	117
84	323	336	59	200
86	204	234	140	262
88	106	146	242	410
90	34	108	406	536
92	16	45	552	709

Estimated volume total, Calls 59 Puts 36
Previous day's open int. Calls 613 Puts 750

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements JUL	Puts-settlements Jun	Puts-settlements JUL
17000	1475	1600	0	10
17500	975	1132	0	42
18000	482	720	7	130
18500	108	400	133	310
19000	5	190	530	600
19500	0	76	1025	986
20000	0	25	1525	1435

Estimated volume total, Calls 0 Puts 15
Previous day's open int. Calls 20 Puts 120

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6938	0.6945	0.6926	0.6945
Dec	0.7022	0.7025	0.7005	0.7024
Mar	0.7080	-	0.7080	0.7095

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Sep	270.35	270.80	270.10	272.75
Dec	272.30	-	272.30	274.70
Mar	274.00	-	274.00	276.20
Jun	276.00	-	276.00	278.20

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 24,541

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

MONEY MARKETS

Rate rise expected

WIDESPREAD SPECULATION over the weekend of a rise in UK base rates found only temporary relief yesterday, following better than expected bank lending figures.

Interbank rates were discounting more than half a point increase in base rates before the announcement, and although the three-month rate was marked down an eighth of a point after the figures, it came back to finish at the day's high of 9¼-9⅛ p.c., up from 9-8⅞ p.c. on Friday.

The Bank of England resisted the pressure for an increase, not least because with a surplus of credit in the market, it would have been difficult to get its message across through a change in its buying rates for eligible bills.

UK clearing bank base lending rate: 8½ per cent from June 6

Overnight interbank money opened around 7 p.c. and slipped to a low of 3 p.c. before being bid up towards 7 p.c. at the close.

The Bank of England forecast a surplus of around £300m., with factors affecting the market including bills maturing in official hands and repayment of any late assistance, together with a take up of Treasury bills draining £209m, and Exchequer transactions taking out a further £15m. These were more than offset by a fall in the note circulation of £425m and banks' balances brought forward £120m above target.

The forecast was revised to a surplus of around £350m, but there was no intervention by the Bank during the morning. A further revision took the surplus to around £400m, and the Bank absorbed this in the afternoon by selling £395m of Treasury bills at 6¾-6⅞ p.c., maturing tomorrow.

In Frankfurt, call money was quoted as high as 3.95 p.c. as dealers became convinced that the Bundesbank would increase its sale and repurchase rate today. This was given added weight after a West German Government official, speaking in Toronto, had claimed that a rise to 3.5 p.c. was imminent. At the moment it stands at 3.25 p.c., but Euro-mark rates have been moving up recently after a long period of stability, and domestic overnight money has consistently been quoted above the intervention rate.

However dealers were less clear about the size of any increase. The argument ran that a rise to 3.50 p.c. - the least expected - would be largely swallowed up if rates were increased by other leading central banks. Consequently, there was growing pressure on the Bundesbank to respond more forcefully to charges that the weakness of the D-Mark threatened the German economy with imported inflation.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

Company Notices

THE "SHELL" TRANSPORT AND TRADING COMPANY, p.l.c.

Notice is hereby given that a balance of the Register will be struck on Monday, 4th July, 1988 for the preparation of the half-yearly dividend payable on the SECOND PREFERENCE SHARES for the six months ending 31st July, 1988. The dividend will be paid on 1st August, 1988.

For Transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Plc, Registrar's Department, Goring-by-Sea, Worthing, Sussex, not later than 3.00 pm on Monday, 4th July, 1988.

Shell Centre
London SE1 7NA
21 June, 1988

By Order of the Board
V.A. Wadham
Company Secretary

Legal Notices

IN THE MATTER OF BREDERO CONSTRUCTION LIMITED AND IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113.

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company which is being voluntarily wound up are required on or before the 21st day of July 1988 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Hajiroussos FCCA of Julia House, 3 Themistocles Dervis Street, P O Box 1612, Nicosia, Cyprus. The liquidator of the said Company, and if so required by notice in writing from the said liquidator, are personally or by their solicitors, to come in and specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 21st day of June, 1988.

A Hajiroussos FCCA
Liquidator.

Art Galleries

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

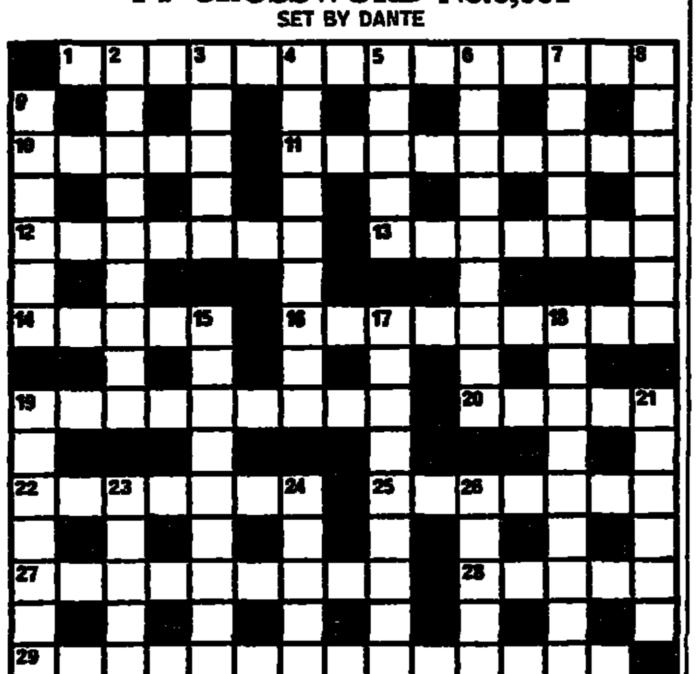
FT 30	FTSE 100	WALL STREET
Jun 1466/1475 -8	Jun. 1842/1852 -11	Jun 2093/2105 -1
Sep. 1473/1482 -8	Sep. 1850/1860 -11	Sep 2099/2111 -3

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

FT CROSSWORD No.6,661

SET BY DANTE



ACROSS

1 A solicitor's communications? (7,7)
10 Doctor tea or coffee (5)
11 A monthly gathering? (4,2,3)
12 Antipathy from the gallery (7)
13 Could be one rule man has broken (7)
14 It's an idea if the cat turns tail first (5)
16 Insulting attack (9)
19 He may be seen at the courts, practising (9)
20 Teams making records (5)
22 Messenger has a job getting in beer (7)
25 Pupil starts singing choral composition (7)
27 It's habit-forming (9)
28 Can turn into American fighting formations (5)
29 A harmless banger! (5,9)

DOWN

2 Powered flight? (9)
3 A girl whisks egg-white (5)
4 Capricious female (5-4)
5 I am represented by this sum (5)
6 They may decorate the Christmas tree or the turkey (9)
7 He's absorbed in a steel merger (5)
8 Be sulky when put out, and show natural colour (3,4)
9 Apply preservatives – a typical measure with new lamb (6)
15 Firearm makes pirate captain bolt (9)
17 A marksman will find use for this sort of gift horse (9)
18 Trying to please? (9)
19 One never knows what it may hold for the present (4-3)
21 Speak forcefully, providing a cause of tension (6)
23 Board has the agreement of the French and German (5)
24 Musical tea break about six (5)
26 I am under the spell of a nymph (5)

Solution to Puzzle No.6,660

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ANGINA PECTORIS
N E E D S O E P
ISOLATE PLUNDER
S L T A E C I A
EROS BLACKHEART
T G C S I S   S
TAILOR CANTRIP
E S N S L O N C
 STUNNED INSTIL
A   E A S E E A
DETACHMENT SNAP
A I T S A T T T
GALLIOT GLACIER
I E O E S B O A
ORDINARY TURNIP
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هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd
Target Hse, Gatehouse Rd, Aylesbury Bks 0296 394000

American Eagle	62.3	66.4xd	+0.5	1.24
Australia	8.5	9.1	+0.2	0.10
Commodity	81.5	86.7	+1.3	1.06
Convertible	150.6	159.7	-0.9	5.47
Equity	143.7	153.0xd	-	3.22
Euro Spec Sits	77.6	82.3	-0.7	1.32
Financial	31.2	33.2	-	1.69
Global Opps Inc	58.3	61.8	-0.3	-
Global Opps Acc	58.3	61.8	-0.3	-
Gold Income	55.7	59.3	+1.1	0.84
Gold Acc	102.5	109.1	+1.9	0.84
Income	107.2	114.0xd	-0.2	4.73
Japan	126.5	134.0	-1.9	0.10
Pacific Income	115.6	123.0	+0.3	0.86
Pacific Re Inv	143.8	153.0	-0.4	0.86
Preference Share	25.5	27.2	-0.2	8.72
Special Sits	100.8	107.0	-0.8	0.65
Technology	42.0	44.5	-0.3	0.10
UK Capital	89.8	95.6	+0.4	1.28
World Income	50.8	54.1	-	5.24
Worldwide Capital	145.7	155.0	-0.3	1.15
Equity Exempt	111.0	118.1xd	-	1.54
Equity Exempt Acc	212.6	226.2	-	1.54

Templeton Investment Management
20 Cornhill Avenue, EC2R 7PA 01-588 6064

Intl Pen & Ch'ties	89.9	95.6xd	-	-

Thornton Unit Managers Ltd
33 Cavendish Sq, London W1M 7HF 01-493 7262
Dealing 01-493 8545

American Opps	37.7	40.2	-0.1	1.37
(Accum Units)	38.5	41.1	-0.1	1.37
European Opps	41.8	44.6	-0.2	1.06
Far Eastern Opps	84.6	90.2	-	0.45
(Accum Units)	84.9	90.6	+0.1	0.45
Golden Opps	35.3	37.7	-0.2	1.28
Intl Hi-Yield	43.6	46.5	-0.1	4.24
Japanese Opps	59.9	63.9	-0.8	0.87
(Accum Units)	59.9	63.9	-0.8	0.87

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N Waterloo Liverpool 051-928 6655

Managed Fund	269.8	284.1	----	-
Man Pens Inc & Cap Fd	345.9	364.2	----	-
Money Fund	112.8	118.8	----	-
Pens Mngd Fd (Unit)	88.2	92.9	----	-
Pens Mngd Fd (Acc)	100.9	106.3	----	-
Pens FT30 Fd (Unit)	129.7	136.6	----	-
Pens FT30 Fd (Acc)	148.3	156.2	----	-
Pens O'seas MgFd (Unit)	58.5	61.6	----	-
Pens O'seas MgFd (Acc)	66.8	70.4	----	-
Pens Fxd Int Fd (Unit)	107.6	113.3	----	-
Pens Fxd Int Fd (Acc)	123.0	129.5	----	-
Pens Deposit Fd (Unit)	101.4	106.8	----	-
Pens Deposit Fd (Acc)	115.9	122.0	----	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	92.0	97.0	-1.0	-
Building Soc. Fd.	161.0	170.0	----	-
Balanced	242.0	255.0	----	-
Deposit	160.0	169.0	----	-
European	125.0	133.0	-1.0	-
GT Managed	151.0	159.0	----	-
Gartmore Mngd	100.0	106.0	-1.0	-
German	89.0	95.0	-1.0	-
Gilt	170.0	179.0	----	-
High Inc	114.0	120.0	----	-
International Equity	153.0	162.0	----	-
Japan	222.0	234.0	+2.0	-
Managed	54.0	57.0	----	-
Property	256.0	270.0	----	-
R W Imperial Gold	134.0	142.0	----	-
UK Equity	318.0	335.0	+1.0	-
Pension Funds				
American	113.0	119.0	----	-
Building Soc. Fd.	152.0	160.0	----	-
Balanced	184.0	194.0	----	-
Deposit	150.0	158.0	----	-
European	122.0	129.0	----	-
GT Managed	160.0	169.0	----	-
Gartmore Mngd.	98.0	104.0	----	-
German	85.0	90.0	----	-
Gilt	143.0	151.0	----	-
International Equity	111.0	117.0	----	-
Japan	132.0	139.0	----	-
Managed	54.0	57.0	----	-
Property	194.0	205.0	----	-
UK Equity	272.0	287.0	----	-

Prolific Life & Pensions Ltd (z)
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fd.	503.7	530.8	+0.0	-
Cash Fd.	217.5	229.2	+0.0	-
Property Fund	258.8	272.8	+0.0	-
Equity Fund	545.9	575.3	+0.1	-
Fxd. Int. Fund	289.7	305.3	-0.2	-
International	236.6	249.4	-0.8	-
High Income	404.7	426.5	+0.5	-
Far East	379.8	400.3	-7.8	-
North American	203.3	214.3	-0.2	-
Special Sits	471.5	496.9	+2.0	-
Technology	228.5	240.8	+1.0	-
Extra Inc Fd	233.1	245.7	-0.3	-
Convertible & Gilt Fd	149.2	157.3	+0.4	-
American Income	99.3	104.7	+0.2	-
Gilt Fund 20	297.5	316.5	-2.2	-
European Fund	79.5	83.8	-0.2	-
Pref & Fixed Int.	97.2	102.5	+0.4	-

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	437.3	460.4	-0.1	-
Equity Fd.	879.7	926.1	-3.4	-
Intnl Fd.	310.7	327.1	-1.4	-
Fixed Int. Fd	366.0	385.3	-0.8	-
Prop Fd.	325.2	342.4	+0.1	-
Cash Fd.	237.5	250.0	+0.1	-
Pacific Basin Fd.	179.8	189.3	-1.3	-
North American Fd.	125.2	131.8	+0.1	-
European Fd.	126.1	132.8	-0.5	-
Holborn Balanced Gwth Fd.	101.7	107.1	+0.3	-
Holborn Strategic Gwth Fd.	100.4	105.7	+0.5	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	474.8	499.8	-1.0	-
Equity	682.7	718.7	+3.0	-
Global Equity	197.9	208.4	+1.0	-
Fixed Interest	380.3	400.4	-0.3	-
Property	319.1	335.9	+0.1	-
Cash	140.9	148.4	+0.1	-
Index Linked Gilt	167.2	176.0	-0.2	-
Guaranteed	8.31			-
International Money	186.2	196.0	+0.4	-
North American Fd.	55.4	58.4	-0.1	-
Japanese Fund	126.1	132.8	-1.8	-
European Fund	68.5	72.2	-0.2	-
Special Situations Fd.	97.5	102.5	+0.8	-
Communications Fund	84.7	89.2	+0.3	-
Smaller Cos Fund	98.3	103.5	+0.3	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry June 16	£128.67	132.34	----	-
Equity Fund June 16	£140.02	144.29	----	-
Intnl Fund June 16	£21.25	21.95	----	-
Intl Bond Fd June 16	£10.47	10.62	----	-
Fixed Int. June 16	£69.12	70.04	----	-
Index Linked June 16	£52.87	53.53	----	-
Property Fund Jun 16	£86.86	91.51	----	-
Cash Fund June 16	£18.7015	18.7015	----	-

Pre-Linked Retirement Plan

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100¼	99[illegible]	Treas. 9½pc '88	100[illegible]	-[illegible]	9.49	9.14
102[illegible]	101[illegible]	Treas 11½pc 1989	101[illegible]	-[illegible]	11.34	9.26
101[illegible]	99[illegible]	Treas 9½pc Cnv 1989	100[illegible]	-[illegible]	9.49	9.35
97[illegible]	95[illegible]	Treas 3pc 1989	97	-[illegible]	3.09	6.45
102[illegible]	100[illegible]	Treas 10½pc 1989	101[illegible]	-[illegible]	10.39	9.37
102	100[illegible]	Exch 10pc 1989	100[illegible]	-[illegible]	9.94	9.45
103[illegible]	101[illegible]	Exch 11pc 1989	101[illegible]	-[illegible]	10.81	9.45
97[illegible]	95[illegible]	Treas 5pc 1986-89	96[illegible]	-[illegible]	5.19	7.87
104[illegible]	101[illegible]	Exch 10¼pcCv '89	101[illegible]	-[illegible]	10.08	8.88
107½	105[illegible]	Treas 13pc 1990‡‡	105[illegible]xd	-[illegible]	12.37	9.43
104[illegible]	102[illegible]	Exch 11pc 1990‡‡	102[illegible]	-[illegible]	10.75	9.41
107[illegible]	104[illegible]	Exch 12½pc 1990	104[illegible]	-[illegible]	11.93	9.45
93[illegible]	91[illegible]	Treas. 3pc 1990	92[illegible]	-[illegible]	3.25	7.38
99[illegible]	98[illegible]	Treas 8¼pc 1987-90‡‡	98[illegible]	-[illegible]	8.39	9.20
102[illegible]	98[illegible]	Treas. 8pc Cv 1990‡‡	99[illegible]	-[illegible]	8.05	8.32
103[illegible]	100[illegible]	Treas. 10pcCv 1990	101[illegible]	-[illegible]	9.88	9.39
91[illegible]	88[illegible]	Exch 2½pc 1990	89[illegible]	-[illegible]	2.79	7.27
107[illegible]	105[illegible]	Treas 11¾pc 1991	105[illegible]	-[illegible]	11.18	9.43
95[illegible]	92[illegible]	Funding 5¾pc '87-91‡‡	93[illegible]	-[illegible]	6.15	8.41
90[illegible]	87[illegible]	Treas. 3pc 1991	88[illegible]	-[illegible]	3.39	7.52
105[illegible]	101[illegible]	Treas 10pc Cv '91 ‡‡	102[illegible]xd	-[illegible]	9.75	9.01
107[illegible]	104[illegible]	Exch 11pc 1991	104[illegible]	-[illegible]	10.53	9.41
98[illegible]	95[illegible]	Treas. 8pc 1991	96[illegible]	-[illegible]	8.31	9.28
113[illegible]	109[illegible]	Treas 12¾pc 1992‡‡	110[illegible]	-[illegible]	11.59	9.39
104[illegible]	101[illegible]	Treas 10pc 1992	101[illegible]	-[illegible]	9.82	9.39
98[illegible]	94[illegible]	Treas. 8pc 1992 ‡‡	95[illegible]	-[illegible]	6.35	9.31
106[illegible]	102[illegible]	Treas 10½pc Cv 1992‡‡	103[illegible]	-[illegible]	10.15	9.42
86[illegible]	83[illegible]	Treas. 3pc 1992	84[illegible]	-[illegible]	3.54	7.46
112[illegible]	108[illegible]	Exch. 12¼pc '92	109[illegible]	-[illegible]	11.21	9.49
117[illegible]	113[illegible]	Exch 13½pc 1992	115[illegible]	-[illegible]	11.85	9.51
40[illegible]	38[illegible]	Treas. 8¾pc 1993 (40)	38[illegible]	-[illegible]	8.63	9.43
105[illegible]	100[illegible]	Treas 10pc 1993‡‡	102[illegible]	-½	9.79	9.42

Five to Fifteen Years

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
115[illegible]	111	Treas 12½pc 1993‡‡	112xd	-[illegible]	11.16	9.46
93[illegible]	89[illegible]	Funding 6pc 1993‡‡	91	-[illegible]	6.60	8.16
121[illegible]	116[illegible]	Treas 13¾pc 1993‡‡	117[illegible]	-[illegible]	11.69	9.49
101[illegible]	95[illegible]	Treas. 8½pc 1994	95[illegible]	-[illegible]	8.86	9.43
125[illegible]	120[illegible]	Treas 14½pc 1994‡‡	121[illegible]	-[illegible]	11.92	9.48
120[illegible]	115[illegible]	Exch 13½pc 1994	117	-[illegible]	11.54	9.62
105[illegible]	100[illegible]	Treas. 10pc Ln 1994‡‡	102[illegible]	-[illegible]	9.77	9.46
116[illegible]	111[illegible]	Exch. 12½pc 1994	113	-[illegible]	11.07	9.65
101[illegible]	95[illegible]	Treas 9pc 1994‡‡	98[illegible]	-[illegible]	9.15	9.34
114[illegible]	109[illegible]	Treas 12pc 1995	111[illegible]	-[illegible]	10.77	9.62
83[illegible]	79[illegible]	Exch 3pc Gas 90-95	79[illegible]	.....	3.79	6.85
106[illegible]	100[illegible]	Exch. 10¼pc 1995	103[illegible]	-[illegible]	9.90	9.55
120[illegible]	113[illegible]	Treas 12¾pc 1995‡‡	116[illegible]	-[illegible]	10.96	9.59

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	1988 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	.....	3.50	[illegible]7.78
45	33	Do 6pc 28 Stb Ass.	45	.....	3	[illegible]
45	35	Do 4pc Mixed Ass.	45xd	.....	2	[illegible]
75	63	Hung '24 Ass	75	.....	2.75	[illegible]
140[illegible]	126[illegible]	Hydro Quebec 15pc 2011	136[illegible]	-[illegible]	15.00	10.23
128[illegible]	118[illegible]	Iceland 14½pc Ln 2016	125[illegible]	-[illegible]	14.50	11.39
101[illegible]	96½	Ireland 9¾pc '91-96	99[illegible]	-1[illegible]	9.75	9.90

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
26½	21¼	Tenneco $5	25⅝	–⅛	$3.04	–	6.5
28⅝	19½	Texaco $6.25	26½	–¼	♦$3.00	–	6.1
54⅛	43¼	Time Inc. $1	53½	–⅝	$1.00	–	1.0
20⅛	15⅞	Transamerica $1	19¼	–⅛	$1.84	–	5.2
10½	754p	Transworld Corp $5	10¼	–⅛	20c	–	1.1
20⅛	14½	TRINOVA Corp	17	–⅛	56c	–	1.8
19	15¼	USX $1	17½	–⅛	$1.20	–	3.8
23	17⅞	Utd Technologies	21⅞	+⅛	$2.60	–	4.0
31¼	26¼	US West‡	30⅞	+¼	$3.52	–	6.2
21¼	16⅞	Waste Management $1	20⅛	–⅛	48c	–	1.3
16¼	12⅞	Whirpool $1	15½	–⅛	$1.10	–	3.9
32¼	18¼	♦Woolworth $3½	29⅛	–⅛	$1.64	–	3.1

CANADIANS

1988 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp‡	185p	–12	–	–	–
32p	11p	♦Abbot Energy Corp	24½p	…	–	–	–
14¼	990p	♦Amer Barrick Res.	12½	+⅛	–	–	–
10p	3½p	American Lightwave.	4p	–1	–	–	–
47p	18½p	♦Armeno	21p	–2	–	–	–
76p	45p	Augmitto Expln	66p	–1	–	–	–
12½	10⅝	Bk. Montreal‡	12½	…	$2.00	–	7.1
635p	514p	Bk. Nova Scot.‡	635p	–15	76c	–	5.3
17½	15¼	BCE‡	17⅛	+⅛	$2.44	–	6.3
716p	591p	♦Bow Valley‡	653p	+10	♦40c	–	2.7
12½	10½	♦Brascan‡	12½	+⅛	88c	–	3.1
[illegible]	[illegible]	♦Brenkwater Res.	260p	[illegible]	10c	–	1.7

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☆ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p...... γ	70	......
Craig & Rose £1..... γ	688xd	......
Finlay Pkg. 5p...... γ	88	......
Holt (Jos) 25p...... γ	£11½	......

IRISH

Nat. 9¾% 84/89..	£100¾	−⅛
9pc Cap Ln. 1996..	£96¼	......
Fin. 13% 97/02..	£119	......

Arnotts.............. γ	375	......
CPI Hldgs............ γ	116	−2
Carroll Inds......... γ	150xd	+½
Hall (R. & H.)........	161	+1
Heiton Hldgs........ γ	48	−1
Irish Ropes........... γ	165	......
Unidare.............. γ	410	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	58
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	38
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 6	Jun 16	Jun 17	Jun 27
Jun 20	June 30	Jul 1	Jul 11
Jul 4	Jul 14	Jul 15	Jul 25

*New time dealings may take place from 9.00 am two business days earlier.

Expectations of higher base rates subdue trading in equities and Gilt-edged

THE HEART was taken out of the UK securities markets yesterday by widespread expectations that another half point rise in UK base rates is in the offing as renewed inflation worries unsettle the international credit markets. London money market and bond rates were effectively discounting a base rate rise, and traders were nervously awaiting today's announcement of repurchase rates by the Bundesbank.

The UK money supply and bank lending figures for May, disclosed at mid-session, did little to change the stock market's view of the outlook for domestic rates. The rise of 0.5 per cent in MO money supply, and even the sharp drop in domestic bank lending to £1.8bn, were taken calmly.

The combination of a firm pound and widespread predictions of higher base rates kept *buyers out of the stock market.* Share prices opened lower, and a brief foray into plus territory at mid-session was quickly routed when Wall Street came in on the downside. Turnover was thin, with Seaq trading at only 323.6m shares and many blue chips hardly tested.

The FT-SE 100 Index dipped 6.1 to 1844.0, an ominous six points or so below significant chart levels.

In addition to the general chorus of base rate warnings from the weekend press and the brokerage analysts, the market opened in the face of General Accident's purchase of Sir Ron Brierley's 38 per cent stake in NZI, which, as feared last week, will take around £150m out of institutional cash portfolios.

Speculative interest was subdued, with food shares less active despite rumours that Jacobs Suchard, which is still in the contest with Nestlé for control of Rowntree, might shift its attention to Cadbury Schweppes.

Government bonds lost nearly ½ a point early in the session as the sector reacted to worries over domestic and international interest rates. There was little selling, and bonds tried to steady on the announcement of lower UK bank lending in May. The rally, which left the long dates with net losses of ⅛, was unconvincing, and encouraged some sellers to enter the market at the very end of the session.

Bonds made little response to the firmness in the pound. The major funds were clearly keeping out of the UK bond market while awaiting today's developments in money markets both at home and in West Germany.

Plessey shares held at 159p on a disappointingly low turnover of just short of 1m shares. Brian Newman, electronics analyst at *Chase Manhattan Securities*, recommended the shares to Chase clients, saying that a renewed bid from GEC for Plessey could be on the cards as "the first step in a rationalisation of the defence industry". Newman points out that from today GEC can renew its attempt to take over Plessey, with which it has already merged its telecommunications businesses. He takes the view that another bid by GEC might be viewed more favourably by the DTI and Ministry of Defence than was the previous attempt in 1986.

GEC, scheduled to announce preliminary profits on June 29 – Chase is looking for £700m – edged up 2¼ to 153½p on turnover of 6.5m shares.

Scottish & Newcastle (S & N) were excited by late news of *Antipodean share stake developments.* A rumour that some such move was afoot was earlier dismissed by the market, but towards the close John Elliott's Elders IXL announced the purchase of Sir Ron Brierley's IEP Securities holding, increasing its stake in S & N to 8.9 per cent. The latter's shares rose to quickly touch 341p before settling a net 9 higher on the session at 338p.

BET, the industrial services group, provided one of the market's most active stocks after meeting the most generous of analysts' forecasts with pre-tax profits of £218.4m for '88 – as well as a higher payout.

Turnover of 1.3m shares left the price unchanged at 247p, as buyers took up stock from the profit-takers, some of whom shied away from the increase in the contribution to profit from property disposals.

General Accident, the composite insurance group, confirmed last week's market suspicions that it was negotiating a deal with Sir Ron Brierley and revealed it is buying a 51 per cent stake in NZI, the financial services group.

General is paying £264m for Brierley's 38 per cent stake, partly financed by a vendor placing of 17.5m General shares at 850p a share, which raised around £150m. The placing was carried out yesterday by Hoare Govett. General Accident shares closed 20 off at 897p ex dividend, having initially retreated to 885p.

With sterling firmer in anticipation of increases in UK base rates the international equities could find few supporters. Beecham fell 3½ to 459p, and losses of 5 or so in Glaxo (946p), Reuters (530p) and ICI (1039p). But turnover in these major issues was woefully thin, with only Beecham moving above the 1m share mark.

The outstanding feature was Hanson with 5.6m shares traded in London on the back of strong demand for the American Depositary Receipts (ADRs) in the US markets. However, at 138p, Hanson closed only 1½ up in London.

A dismal performance by international oil prices – Brent for July delivery dropped 25 cents a barrel – had little impact on the oil and gas sector although traders said business was generally "dull".

British Gas continued to mirror market satisfaction with the excellent dividend increase revealed last week and the shares edged up 2 more to 188p on turnover of 9m.

Enterprise Oil picked up 4 at 467p with traders reporting a revival of speculative buying. LASMO, recently linked with Enterprise as a possible merger candidate, hardened a few pence to 455p after favourable Press comment. Ultramar were firmer and finally 2 up at 314p on a resurgence of takeover rumours. Calor Group leapt 11 to 380p following good support from two leading UK houses.

The clearing banks drifted lower, still unsettled by the recent profits downgrading of NatWest by Warburg Securities. In relatively thin turnover of 1.2m Lloyds slipped 4 more to 298p after BZW, the investment house, recommended clients to switch out of the stock into NatWest; the latter were a shade off at 563p with support also forthcoming from Citicorp Scrimgeour Vickers who "remain positive" on the sector. Citicorp reiterated its forecast of £1.466m for NatWest and its buy recommendation on the stock.

Merchant banks showed Morgan Grenfell finally 10 off at 335p as profit-taking persisted.

The Green Paper on life companies announced late on Friday and bearish comment in the Sunday Press unsettled life issues at the outset. A rally developed mid-morning but eventually petered out late in the day. Abbey Life, one of the recent bid favourites in the sector, slipped 6 to 324p while London and Manchester dropped 10 to 278p and Pearl 12 to 492p.

Commercial Union gave up 4 to 400p after it was revealed late in the day that Adsteam, via GA Duncan had upped its stake in CU by almost one percentage point to 8 per cent. Royal Insurance, where Adsteam's 6 per cent stake has been moved to a subsidiary, rose 7 to 417p.

Reports that the Government was considering increases in duty along with other proposals to combat the recent outbreaks of drunken violence had little impact on the Brewery sector. *Most leading stocks eased back* but the movement was only in keeping with the overall market trend. Allied-Lyons was the exception, rising 5 to 434p on US buying interest. Elsewhere, recently-beleaguered Buckley's recovered 8 to 158p.

The leading building issues, rather surprisingly according to dealers, opened on a firm note, despite the interest rate worries of recent days, but tended to ease back as the session wore on. In the leaders BPB edged up 3 to 296p after a BZW "buy" recommendation and talk of a bear squeeze. Late selling lowered Tarmac 7 to 248p.

Preliminary figures from Vibroplant were well received and the shares mopved up 5 to 748p. Gibbs and Dandy "A" jumped 15 to 88p following a newsletter recommendation. Wiggins Group, expected to reveal results at the end of the month, leapt 17 to 261p.

Ward White was the highlight of a quiet stores sector following the successful placing of its convertible preference issue, raising funds to finance the takeover of DIY group A T Stanley. The issue was oversubscribed and particularly popular with institutional investors, attracted by the lower conversion premium than normal and the high yield. Turnover in the preference was around the 6m mark, but Ward White ordinary shares eventually closed unchanged at 300p.

Otherwise, the only other feature was Storehouse, which firmed 3 to 267p on turnover of 1.7m after revived rumours of a Mountleigh-led consortium bid.

Business in the electronics leaders was much reduced from recent buoyant levels. Ferranti, however, attracted turnover of 5.2m with comment in the weekend press boosting the shares a penny to 82½p. Racal, scheduled to reveal preliminary figures and details of the Vodafone flotation on June 28, hardened a couple of pence to 325p on turnover of 3.2m.

Cable & Wireless slipped 3 to 367p in thin trading despite a profits upgrading and "buy" recommendation issued by BZW; C & W is due to reveal preliminary figures on Wednesday, with County NatWest Woodmac forecasting £345m and Pru-Bache £350m against last time's £340m.

A Citicorp Scrimgeour Vickers recommendation drew buyers to VSEL, up 7 at 478p xd, while Hobson improved to 43p on pleasing annual results, which included a maiden dividend payment.

RHM rebounded on revived talk of down-under group Goodman Fielder either bidding for the group or selling its shareholding to a lurking predator. The shares, easier last week reflecting sell advice, advanced 10 to 382p: RHM yesterday bought Keiller Preserves from Barker & Dobson.

Cadbury Schweppes was another to warrant attention following reports that Suchard could, if the attempt to acquire Rowntree fails, be a White Knight, and Cadbury shares finally adavnced 5 to 410p. Bassett Foods rose 6½ to 236p xd after Citicorp Scrimgeour Vickers advised clients "the shares look solid long term value for smaller funds".

Savoy "A" slipped back to £10 ½, down 11/16, as the dispute with Trusthouse Forte flared up again. Press reports suggested that Lord Forte was prepared to sell his shareholding in the hotel group if a buyer could be found. Bid speculation pushed Norfolk Capital up 2 to 31p.

Sharply higher annual profits stimulated LandLeisure, which jumped 23 to 397p, but lack of follow through after Friday's upsurge brought Pleasurama back 4 to 204p.

DRG were lifted by suggestions an of immediate development and closed 12 higher at 417p; demand was described as speculative and was not thought to be on behalf of the Kuwait Investment Office which holds a sizeable stake. Good annual figures nudged Martin Shelton higher to 63p while Saatchi & Saatchi steadied after Friday's weakness to end at 374p.

In the Property sector leading stocks were quiet, with Mountleigh improving 2 to 182p on talk of a revival of its bid for Storehouse. Hammerson "A" firmed 7 to 630p on the feeling that the stock was still a good buy, and Greycoat firmed 2 to 433p in anticipation of a good set of results on Thursday.

Of the second liners, Reliable Properties featured after the announcement that it would merge with Palmerston Investment Trust to form a new company, Palmerston Holdings. The move, which one dealer described as a "useful tidying-up operation", knocked Reliable down £5 to £15, while Palmerston closed up £7 to £30 ex-rights.

Increased buying found stock of Atkins Bros. in short supply and shares gained 14 to high for the year of 320p.

BAT Industries eased after the Californian Insurance Commissioner's unexpected ruling against its bid for the US Farmers group. The UK conglomerate is to request an expedited hearing for an appeal against the decision.

Crescent Japan was the only highlight in a slumbering investment trusts sector after shareholders voted in the morning to unitise the trust. The market welcomed news of the unitisation - which should be completed by Wednesday - because it is expected to push the price of the stock nearer to its true asset value, say dealers. The result was Crescent Japan improved 13½ to 170p and other Japanese trusts firmed slightly in sympathy.

Harrisons & Crosfield were the stock on the move in Overseas Traders, easing five to 635p after a short bout of profit-taking.

Appleby Westward, the West Country grocery wholesaler, got off to a good start in the Unlisted Securities Market. Placed recently by Stock Beech at 130p, the shares rose to 145p before easing to close at 143p.

FINANCIAL TIMES STOCK INDICES

	June 20	June 17	June 16	June 15	June 14	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89 06	89.35	89.85	90.24	90.03	90.59	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.11	98.38	98.48	98.36	98.20	98.03	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1468.7	1472.6	1481.6	1485.6	1482.7	1737.0	1485.6 (15/6)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	218.7†	215.5	221.2	221.8	221.2	376.7	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.53	4.52	4.49	4.45	4.45	3.29				
Earnings Yld. %(full)	11.63	11.58	11.52	11.42	11.41	7.93				
P/E Ratio (net)(*)	10 48	10.53	10.58	10.68	10.68	15.53				
SEAQ Bargains (5pm)	21,247	30,657	28,026	30,017	25,773	45,310				
Equity Turnover (£m)	-	1137.64	1187.29	1589.48	1064.99	1631.42				
Equity Bargains	-	30,657	30,442	31,143	26,416	51,893				
Shares Traded (ml)	-	531.1	517.3	533.0	390.6	619.3				

S.E ACTIVITY

Indices	June.17	June.16
Gilt Edged Bargains	120.6	105.9
Equity Bargains	215.0	197.3
Equity Value	2299.5	2399.8
5-Day average		
Gilt Edged Bargains	115.5	111.6
Equity Bargains	197.6	193.8
Equity Value	2540.2	2693.9

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1468.0	1471.0	1470.4	1472.0	1472.3	1472.4	1468.7	1469.9

Day's High 1472.8 Day's low 1468.0

† Cum. Div. Index 222.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil = 10.38.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (108).

BRITISH FUNDS (2) AMERICANS (2) CANADIANS (8) BANKS (1) BREWERS (3) BUILDINGS (6) CHEMICALS (2) STORES (7) ELECTRICALS (3) ENGINEERING (3) FOODS (2) INDUSTRIALS (18) MOTORS (1) NEWSPAPERS (2) PAPERS (3) PROPERTY (6) TEXTILES (2) TRUSTS (18) OILS (4) OVERSEAS TRADERS (1) PLANTATIONS (5) MINES (12) THIRD MARKET (1).

NEW LOWS (34).

BRITISH FUNDS (8) Treas. 11½pc 1989, Exch. 10¼pc Cv 1989, Treas. 13pc 1990, Exch. 11pc 1990, Exch 12½pc 1990, Treas. 11¾pc 1991, Treas. 8¼pc 1993, Treas. 8½pc 1994, Exch. 3pc Gas 90-95. BANKS (1) Joseph (Leo). BUILDINGS (1) McAlpine (Alfred) ELECTRICALS (3) Atlantic Computer, Pericom, Questel. INDUSTRIALS (5) Macarthy, Macfarlane, PCT Grp., SAC Int'l., SmithKline Beckman. LEISURE (1) Pavilion Leisure. NEWSPAPERS (1) Accord Pub., PAPERS (2) Horne (Robert), Hunterprint. PROPERTY (1) Ewart. SHOES (1) Pittard Garnar. TRUSTS (7) G.T. Management, TR Tech. Stepp'd Prf., British & Comm. 4.75pc Cv Pf., Melville Street Invs., Do. Wrrnts., Nat. Home Ln. 7½pc Cv. Pf., Do. 6¼pc 2005. MINES (2) Kloof Gold, Greenwich Res.

Traditional Options

- First dealings June 13
- Last dealings June 24
- Last declarations Sept 15
- For Settlement Sept 24

For rate indications see end of London Share Service

Money was given for the call of INOCO, Bond Corp., Norfolk Capital, Amber Day, Storehouse, Federated Housing, Charterhall, Renold, B. Priest, Amstrad & S.W.Resources. A put was taken out in Phoenix Timber while double options were transacted in Morgan Grenfell, Storehouse & Cambium Venture Capital.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	441	General Accident	661	Prudential	1,900
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	107	4
Corporations, Dominion and Foreign Bonds	0	20	33
Industrials	418	375	771
Financial and Properties	137	158	395
Oils	27	28	53
Plantations	8	6	9
Mines	85	26	80
Others	74	88	116
Totals	751	802	1,417

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Monday June 20 1988

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

Option		CALLS Jul.	CALLS Oct.	CALLS Jan.	PUTS Jul.	PUTS Oct.	PUTS Jan.
Allied Lyons (*433)	390	48	60	68	2½	9	12
	420	23	37	47	9	15	23
	460	6	17	29	33	38	45

Option		CALLS Aug.	CALLS Nov.	CALLS Feb.	PUTS Aug.	PUTS Nov.	PUTS Feb.
LASMO (*455)	390	77	90	100	5	12	22
	420	49	65	82	13	25	34
	460	27	47	59	30	50	53

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY (continued)

ITALY

NETHERLANDS (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

GERMANY

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm Prices June 20

OVER-THE-COUNTER

Nasdaq national market, Closing prices June 20

Continued from page 45

Stock	Div.	Sales 100s	High	Low	Last	Chng	Stock	Div.	Sales 100s	High	Low	Last	Chng
Safeco	1.08	7 560	25	24¼	24⅞	+ ⅛	Sumgph		106	14¾	14¼	14¼	
Sahlen		13 2013	2½	2¼	2 7-16	+ ¼	Sumcrp	.40	11 170	21½	21½	21½	− ¼
StJude		19 1582	36⅞	35⅞	36	− ⅜	SumitB	.72b	11 85	23¼	23¼	23¼	− ½
StPaulB	.30	264	10¾	10⅝	10⅝		SunGrd		21 154	18½	17⅞	17⅞	− ⅝
StPaul s	2	6 382	44¾	44	44	− ¾	SunMic		25 1984	36½	35¼	36¼	+ ⅜
Salick		21 13	14½	14½	14½		Sunwst s	1a	8 3	24	24	24	−1
SFFdl		4 54	12½	12¼	12¼	− ¼	Synbio		250 21	7½	7¼	7½	+ ¼
Sanfrd s	.16	19 2	25¼	25¼	25¼		Systin		7 97	6⅝	6¼	6¼	− ⅜
Scherer	.36	26 1020	27¾	26⅞	27½	+ ¼	SySoftw		22 389	18	17¾	18	+ ⅛
SchlmA	.48	15 104	39¼	38½	38¾	+ ⅜	Systmt	.40e	27 16	31¾	31¼	31¾	
Scimed		140	18¼	17⅞	18¼	+ ¼			— T—T —				
Scitex		54	4⅞	4⅝	4⅝		TBC s		11 60	14¼	14	14¼	+ ⅛
Seagate		9 1908	17⅝	17⅛	17½								

Stock	Div.	Sales 100s	High	Low	Last	Chng	Stock	Div.	Sales 100s	High	Low	Last	Chng
US Trst	1.16	13 5	40¾	40¾	40¾		Wyman	.80	13 117	15	14¾	14¾	− ¼
UStatn	.32	17 229	19¾	19½	19¾		Wyse		10 2620	19	18½	18¾	− ⅜
UnTelev		43 31	30½	30¼	30¼	+ ¼			— X—Y—Z —				
UnivFr	.12	12 287	15¾	15¼	15¼	− ½	XL Dt s		17 14	26	25¾	25¾	− ¼
UnvHlt		217 582	6¾	6¼	6½		XOMA		88	11¾	11¼	11⅞	+ ⅛
UnvSvg	.40	78 46	22¼	22	22¼	+ ⅛	X-Rite	.08	20 149	30¼	29¾	30	− ¼
		— V—V —					Xicor		20 1995	9¼	8⅞	9	− ¼
V Band	1e	4 186	13¾	13¼	13½		Xidex		368	6½	5⅞	6½	+ ⅛
VLSI		41 653	9½	9¼	9¼	− ¼	Xylogic		7 28	9	8¾	8¾	− ¼
VM SR		26 84	13½	13¼	13½		Xyvan		203	7¼	6⅞	6¾	− ⅜
VWR	.80	12 14	20¾	20¼	20¾	+ ½	YlowF s	.62	17 341	26⅛	25⅝	26	
ValidLg		294 243	6	5⅞	5⅞	−1-16	ZionUt	1.44	115	25¾	25	25½	− ½
VaifSL		6 32	13	12¾	12¾		Zondvn		31 154	8¾	8½	8½	− ¼

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Atkins Bros.	320xd	+	14
Bradford Prop.	705xd	+	7
Buckley's Brew.	158	+	8
Calor	380	+	11
Chamberlin & Hill	203	+	13
Crescent Japan	170	+	13½
DRG	417	+	12
Federated Housing	290	+	7
Gibbs & Dandy A	88	+	15
LandLeisure	397	+	23
RHM	382	+	10
Royal Ins.	417	+	7
Runciman (W.)	333	+	8
Scot. & Newcastle	338	+	9
VSEL	478xd	+	7
Wiggins Group	281	+	17

FALLS

Abbey Life	324	−	6
General Accident	895xr	−	22
Harrisons & Cros.	635	−	6
ICI	£10⅞	−	⅛
Lon. & Manchester	278	−	10
Morgan Grenfell	335	−	10
Pearl	492	−	12
Reuters B	530	−	7

TOKYO - Most Active Stocks
Monday, June 20, 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	117.47m	576	-6
NKK	102.46m	540	-5
Nippon Steel	91.44m	561	-10
Kobe Steel	56.01m	494	-10
Mitsubishi Heavy Ind	55.49m	836	-3
Sumitomo Metal	53.83m	512	-8
Mitsui and Co	38.40m	970	-4
Toray Ind	24.89m	960	+18
Sumitomo Chemical	20.34m	1,150	+10
Kawasaki Heavy Ind	19.05m	524	-12

INDICES

NEW YORK DOW JONES

	Jun 20	Jun 17	Jun 16	Jun 15	1988 High	1988 Low	Since compilation High	Since compilation Low
φIndustrials	2083.93	2104.02	2094.24	2131.40	2131.40 (15/6)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	(u)	88.45	88.58	88.85	91.25 (3/3)	86.12 (4/1)	—	—
Transport	856.93	864.10	865.89	879.18	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	180.00	180.60	179.47	181.31	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

φDay's High 2100.11 (2116.47) Low 2072.72 (2070.06)

STANDARD AND POOR'S	Jun 20	Jun 17	Jun 16	Jun 15	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	268.94	270.68	269.77	274.45	274.45 (15/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	310.80	312.80	311.96	317.36	317.36 (15/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.26	24.49	24.39	24.82	24.82 (15/6)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	151.96	152.84	152.44	154.67	154.67 (15/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	305.12	305.78	307.87	308.78	309.35 (10/6)	262.76 (12/1)	365.81 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	386.00	386.92	387.10	389.08	389.08 (15/6)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 17	Jun 10	Jun 3	year ago (approx.)
Dow Industrial Div. Yield	3.55	3.54	3.58	2.83
	Jun 15	Jun 8	Jun 1	year ago (approx.)
S & P Industrial div. yield	3.06	3.08	3.64	2.52
S & P P/E ratio	14.37	14.21	14.33	23.17

TRADING ACTIVITY †Volume

Millions	Jun 20	Jun 17	Jun 16
New York	117.232	343 920	162.767
Amex	8.710	8.820	11.850
OTC	(u)	146.400	146.084

NEW YORK	Jun 20	Jun 17	Jun 16
Issues Traded	1,941	1,942	1,949
Rises	587	642	435
Falls	867	850	1,089
Unchanged	487	450	425
New Highs	16	40	34
New Lows	7	6	10

CANADA

TORONTO	Jun 20	Jun 17	Jun 16	Jun 15	1988 High	1988 Low
Metals & Minerals	3064.1	3104.2	3061.1	3071.7	3104.2 (17/6)	2298.7 (8/2)
Composite	3394.3	3413.0	3392.0	3399.9	3413.0 (17/6)	2977.9 (8/2)
MONTREAL Portfolio	1680.61	1690.84	1679.06	1686.19	1690.84 (17/6)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
New plan	4,009,400	14⅛	− ⅛
Texaco	3,058,500	46⅞	− 1⅛
Ist Bkg cp Int	2,490,000	31⅞	− ⅛
Brunswick	1,412,100	20¼	− ¼
John+Jns	1,357,800	80¼	− ⅛
Deere	1,170,400	44	− 1⅞
Amer cyan	1,069,900	52⅛	+ 1⅞
Dow chem	1,008,700	87½	− 2½
Att	996,100	26¼	− ⅛
Ford motor	980,900	51⅞	− ¼

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10, and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	June 20	June 17	June 16	June 15	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1618.2	1600.5	1599.5	1587.6	1618.2 (20/6)	1170.7 (10/2)
All Mining (1/1/80)	842.1	821.1	816.7	808.8	842.1 (20/6)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	177.36	176.93	175.57	174.91	178.92 (21/3)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	4917.4	4921.6	4917.7	4900.2	5043.1 (9/3)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	216.26	217.21	218.82	218.82 (15/6)	180.68 (4/1)
FINLAND						
Unitas General (1975)	730.1	730.8	728.7	723.6	730.8 (17/6)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	(u)	343.2	350.7	353.6	353.6 (15/6)	251.3 (29/1)
Ind. Tendance (31/12/87)	(u)	128.3	128.8	131.1	131.1 (15/6)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	464.68	(c)	472.06	475.65	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1406.6	(c)	1428.2	1441.5	1457.5 (18/3)	1207.9 (29/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2719.06	2718.82	2693.50	2699.58	2719.06 (20/6)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	500.48	488.29	486.90	482.05	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	28139.03	28342.46	28147.32	28093.52	28342.46 (17/6)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2204.19	2219.37	2217.18	2219.98	2219.98 (15/6)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	(u)	255.4	258.3	259.2	259.2 (15/6)	205.7 (4/1)
ANP-CBS Industrial (1970)	212.5	211.7	212.9	213.0	213.0 (15/6)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	402.83	403.68	408.91	409.31	412.04 (11/4)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1072.27	1068.20	1069.39	1066.40	1072.27 (20/6)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1246.0‡	1235.0	1277.0	1276.0	1361.0 (6/6)	1154.0 (4/5)
JSE Industrial (28/9/78)	1621.0‡	1617.0	1620.0	1622.0	1658.0 (25/5)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	297.86	298.11	300.04	301.63	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	2992.6	3003.3	3020.4	3007.8	3020.4 (16/6)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	535.3	536.5	531.6	532.7	539.5 (18/3)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	462.8	463.0	465.2	465.2 (15/6)	401.0 (21/1)

**Saturday June 18: Japan Nikkei (c) and TSE (c)

‡ Subject to official recalculation

Base values of all indices are 100 except Brussels SE — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia, All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

Closing Prices June 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		—A—A—A—								
26	14	AAR s	.36	1.4	21	1159	25	24¾	25	− ⅛
12⅛	8¾	ACMIn n	1.19e	10.		418	11⅞	11½	11⅝	+ ⅛
12⅛	10⅝	ACMSc n	1.26	11.		442	11⅜	11¼	11¼	− ⅛
10⅛	10	ACMSp n				1954	9⅞	d 9⅝	9¾	− ⅛
27⅝	10½	AGS			20	1783	27⅞	26⅝	26⅝	− ¾
7⅞	2⅝	AMCA				125	4	3¾	3⅞	− ⅛
8⅝	3¼	AM Intl				473	3⅝	3½	3⅝	− ⅛
29⅞	17	AM Int pf	2	11.		66	18½	18⅛	18½	− ¼
65½	26¾	AMR			11	1662	46⅝	46⅛	46⅜	− ⅜
27¼	25	ANR pf	2.67	11.		13	25⅝	25¼	25¼	− ⅜
24¼	19	ANR pf	2.12	9.0		3	23½	23½	23½	+ ⅛
11⅛	5¾	ARX			11	146	8⅝	8⅜	8½	+ ⅛
72⅞	40⅛	ASA	3	6.8		373	44⅞	44⅜	44⅜	− ⅝
22⅞	9½	AVX			13	249	17¼	17⅛	17¼	+ ¼
66⅝	40	AbtLab	1.20	2.7	16	3966	45½	44¾	44¾	− ¼
28	15¾	Abitibi g	1			56	18⅞	18⅝	18¾	+ ¼
16⅛	8½	AcmeC	.40	3.4		11	11⅞	11⅝	11⅝	− ⅛
10½	6⅝	AcmeE	.32b	4.6	22	17	7	6⅞	7	+ ⅛
20	14⅛	AdaEx	3.05e	19.		65	15⅞	15¾	15⅞	+ ⅛
19¼	6⅞	AdvoMl	.24	1.5	13	19	15½	15½	15½	
24⅞	7½	AMD				2542	15⅛	15⅛	15⅛	− ⅜
58⅝	29¼	AMD pf	3	7.3		59	41¼	41¼	41¼	− ½
11⅞	4⅝	Adobe			12	177	7⅞	7⅞	7⅞	
20¼	16¼	Adob pf	1.84	10.		16	18⅛	18⅛	18⅛	+ ⅛
21⅛	17½	Adob pf	2.40	11.		3	21⅛	21⅛	21⅛	+ ¼
13⅛	5⅞	Advest	.12	1.8	9	21	6⅝	6⅝	6⅝	
64¼	39½	AetnLf	2.76	6.1	6	1916	45⅛	45	45	− ⅜
99	90¼	AetL pfC	5.45e	5.9		1	93	93	93	+ 1
60½	41	AflPub	.40b	.7	30	256	58⅞	58⅛	58⅛	+ ⅛
23⅛	13	Ahmans	.88	5.6	10	1462	15⅞	15½	15⅝	− ⅛
4⅝	1¾	Aileen				77	3⅛	3	3⅛	− ⅛
53⅞	29	AirPrd	1.20	2.5	13	2161	49⅞	47¼	47⅞	− 2⅛
33¾	11⅛	AirbFrt	.60	3.2	25	144	18⅞	18⅛	18⅝	− ⅛
16½	6¾	Aileen			17	184	13½	13⅜	13½	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Closing Prices June 20

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OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 20

Continued on Page 43

FINANCIAL TIMES Tuesday June 21 1988

AMERICA

Dow weakens on worries over higher interest rates

Wall Street

EQUITIES AND BONDS had a nervous session yesterday, as nerves about higher interest rates in non-dollar countries and another surge in commodity prices affected the market, *writes Janet Bush in New York.*

While bonds rebounded from falls of as much as ½ of a point during the morning session to close mixed, equities never recovered from early weakness.

The Dow Jones Industrial Average closed 20.09 points lower at 2,083.93 in a session of very light activity. Volume was the second lowest this year, with only 115m shares traded.

In late trading, US Treasury bonds continued to show weakness in short maturities, but stood unchanged to slightly higher in medium-dated issues and at the long end of the yield curve. The Treasury's benchmark was quoted $\frac{1}{32}$ of a point higher, for a yield of 9.084 per cent.

Dealers *in both markets have* been disappointed by the lack of follow-through buying after rallies in response to last Tuesday's very encouraging trade figures. No sooner had the initial flurry of buying started than interest rate and inflation worries, which have kept markets on the defensive for most of the spring, reasserted themselves.

The interest rate debate has shifted from looking at the direction of domestic US monetary policy to watching interest rate *developments abroad. It now* seems more than likely that West German monetary policy is about to be tightened.

It is believed that the Bundesbank's policy-making council meeting last week voted to raise its securities repurchase rate and, *although the ultimate decision* will be taken with an eye to market conditions on the day, most analysts believe the rate will be raised on today's tender from 3.25 per cent to 3.50 per cent.

West German officials attending *the Toronto summit appeared* to confirm that interest rates would be nudged higher, saying that a small correction in interest rates should be seen as a normal move to adjust official rates to market conditions.

Japan may also raise interest rates in response to rising wages, high capacity utilisation levels and accelerating growth in its money supply.

The concern of the US bond market is that, if the dollar were to be undermined by rate rises *overseas*, the Federal Reserve would be forced to raise rates in tandem. On the other hand, if the Fed were to ignore dollar weakness and keep policy on hold, that would be construed as inflationary and could deter foreign investment in the market because of perceived currency risks.

Another factor undermining bonds yesterday was a surge in the Commodity Research Bureau's futures index which, at midsession, stood 3.72 points *higher. It then slipped back dur*ing the afternoon to stand just under 3 points higher, a retreat which appeared to help the bond market somewhat.

Most corn, oats and soybean contracts went "limit-up," and wheat nearly reached its price limits as well, as drought conditions persisted in the midwest.

Texaco was among featured stocks, attracting heavy volume as speculation continued about the likely result of Mr Carl Icahn's proxy fight with the Texaco board. The share price fell \$1¼ to \$46¾, *the fall extending* after news that Kohlberg Kravis Roberts had voted its 12m shares in favour of the board, making it less likely that Mr Icahn will win.

Murray Ohio Manufacturing fell \$2⅝ to \$57⅞, after Sweden's Electrolux said it would not increase its \$52 a share takeover offer

Farmers Group plunged \$5⅝ to \$56⅝ in over-the-counter trading, after a California court denied BAT Industries' request for approval of its \$63 a share takeover *offer. The court cited the* fact that about 10 per cent of BAT's shares are held by British Government entities.

Canada

SHARE PRICES closed broadly lower in light trading under pressure from weaker oil and gold prices.

The composite index dropped 18.72 to 3,394.3, as declines outpaced advances by 460 to 302 on turnover of 22.5m shares.

EUROPE

Confident Milan climbs against the trend

INTEREST rate worries kept investors on the sidelines in most European bourses yesterday, although Milan had an active day as overseas buyers returned, *writes Our Markets Staff.*

MILAN continued to advance strongly and the MIB index ended the day up 26 at 1,035, a gain of 2.6 per cent.

Good economic data for April encouraged local sentiment, while dealers reported a resurgence of overseas buying interest. The large Italian mutual funds were also believed to be in the market after a period of diversification during which they neglected domestic equities.

In the new account, started last Thursday, daily volume has been averaging well above L150bn, much better than in previous weeks. Trading remains buoyant in after-hours activity.

Paper manufacturer Burgo found good support and rose L250 *to L14,100. In addition to its* strong order book and record level of gross margins, Burgo is considered a potential takeover target.

Companies in the Fiat group pushed further ahead amid speculation in advance of the annual shareholder meeting on June 29. Fiat common shares gained L265 to L9,185 at the close of official dealings, before powering on to L9,310 in the after-market.

Publishing house Mondadori rose L190 to L18,690 after announcing its takeover of Einaudi.

FRANKFURT was hit by speculation over interest rate rises and finished weaker, but off the day's lows, with the FAZ index down 7.38 at 464.68 in thin trading.

It was a day of limbo, said one analyst. "Investors were worried about committing themselves too much in anticipation of the expected rise in interest rates and wanted to see what was likely to happen," he said.

Leading banks fell, with Deutsche Bank off DM6 at DM426, but up from the opening DM422.

Krupp, confirming that annual group net profits plunged to about DM40m from DM126m, fell DM3.70 to DM96.30 while steelma*ker Hoesch, one of the few to* rise, gained DM5 to DM148.50.

Bonds ended weaker, but off pre-bourse lows, with the 6½ per cent 1998 unit yielding 6.65 per cent after Thursday's 6.61 per cent.

PARIS saw a thin day's trading, with activity curtailed by a four-hour strike by bourse employees and a bomb threat.

The strike, over salary conditions, hit outcry trading during the main floor session, but computer trading was unaffected.

The Indicateur de Tendance was unchanged at 128.30, amid concern over interest rate rises and the weaker opening on Wall Street. There was also some profit-taking ahead of the close of the current account period tomorrow.

Some corporate news added interest, with Framatome pulling out of its bid for Télémécanique and LVMH forecasting a rise of about 25 per cent in operating *profits this year.*

Schneider, rival bidder for Télémécanique, lost FFr5.90 to FFr319.10 and LVMH ended FFr13 lower at FFr 2,482 ahead of its profits news. Cie du Midi rose FFr36 to FFr1,457 in advance of tomorrow's *shareholders' meeting*, which is expected to produce news on the role of shareholder Generali of Italy.

ZURICH stagnated amid quiet trading and the all share index barely moved, closing 0.01 down at 861.47. There were few highlights as investors awaited possible interest rate hikes in West Germany and the UK.

Jacobs Suchard put on SFr35 to SFr7,690 after announcing job losses as part of a rationalisation programme, while Oerlikon-Bührle fell back SFr40 to SFr1,070

BRUSSELS was subdued as investors sat out the last day of the two-week payment period. The stock index shed 4.19 to 4,917.42.

Sofina recovered from early losses to close at Friday's level of BFr13,450 after news that leading shareholder Société Générale de Belgique had sold almost its entire stake in the company. Tractabel, in which La Générale and Sofina will continue to co-operate, firmed throughout the day, rising BFr120 to BFr6,920.

Petrofina, the oil group, clawed back some of its early losses, but still lost BFr50 to BFr12,575, with only 4,000 shares changing hands.

AMSTERDAM saw both stock and bond markets fall on fears of a rise in world interest rates. The ANP-CBS index eased 0.3 to 89.0.

Blue chips generally closed lower, but Hoogovens gained Fl 1.30 to Fl 44.50 after revising its profit *forecast* upwards on Friday. About 400,000 Hoogovens shares changed hands, making it the most-traded stock. KNP, the paper concern, put on Fl 2.20 to Fl 149.20 in response to more optimistic profit expectations.

MADRID marked time and selective profit-taking sent the general index 0.25 lower to 297.86. Investors lacked clear direction.

STOCKHOLM was becalmed, with indifference and lack of interest taking the blame for a 0.4 per cent fall in the all share index.

OSLO suffered an early attack of summer torpor and the all share index added 1.65 to 402.83 in selective trading. Norsk Hydro gained NKr1 to NKr207. Metals company Elkem rose NKr3.5 to NKr132.

London

TRADING was quiet as dealers discounted an expected interest rate rise. The FT-SE 100 index fell by 6.1 to close at 1,844.0 in poor turnover of 324m shares.

International stocks fell back on firmer sterling.

SOUTH AFRICA

ALTHOUGH trading was the quietest reported for some months, the market was firm and a shortage of stock led to prices being marked up. Both the gold index and the industrial index finished higher.

Gold shares responded favourably to news of improved bullion *prices.*

Equities in Thailand are nearing their pre-crash peak, **writes Peter Ungphakorn**

Bangkok boosted by good economic growth

SHARE PRICES on the Securities Exchange of Thailand (SET) are nearing their pre-Black Monday peak, as the country's strong economic performance continues to boost investor confidence.

About 20 of the 135 securities traded have already exceeded their values of last October 16 and the SET index lies just 13.6 points off its peak on that day. Last Wednesday, prices leapt by 7.32 to 461.86 and have since been only slightly reduced, with the index closing yesterday at 459.29.

Strong demand continues to drive up share prices. Shares in the newly-listed Nation Publishing Group, for example, have been trading at about baht 320 each in the group's first week on the Stock Exchange, having been *issued over a month ago at* baht 165. The group publishes the country's second largest English language newspaper and recently launched several publications.

The strength of demand from foreign investors is also continuing, along with a steady increase in the number of foreign investment funds. There are now seven such funds worth a total of \$437m and foreign investors are estimated to account for about 20 per cent of turnover on the market, which is now capitalised at about baht 227bn (\$90bn).

Nomura Securities is reported to be discussing a \$155m fund that could be registered in London or Singapore. The largest fund at present is the \$115m Thai Fund Inc, listed in New York.

Market sentiment is still influenced by international trends. The global crash on October 19 halved the SET index by mid-December to about 243. Since then, the index has recovered gradually, with a number of spurts such as Wednesday's 7-point increase following the favourable US trade figures.

The market survived the dissolution of Parliament in April, in *spite of persistent rumours that a* coup d'état might pre-empt the elections scheduled for July 24. Those rumours have now abated.

However, the number of new listings this year has so far disappointed officials, who have been conducting a campaign to encourage companies to raise capital on the market. In particular, the chances of some state enterprises selling their shares on the SET appear to be receding, but the hope is that about 25 new companies will be listed this year.

Among he new issues joining the exchange are the prestigious Oriental Hotel, shares in which are due to start trading today, and the first genuine real estate *company*, Land and *House*.

The Italthai Group, which is the majority shareholder of the Oriental, has announced it is con*sidering listing four other subsid*iaries involved in construction, shipbuilding and hotel management.

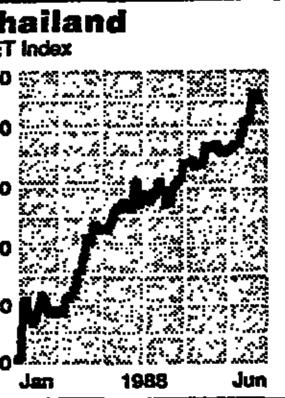
Trading volume is strong, reaching a record baht 1.9bn last Wednesday, with investors so enthusiastic that one analyst described the market as being "possessed by a spirit."

Although the market has calmed down somewhat since, it appears set to maintain its strength because of the economy's export-led expansion. Last week *the national planning board* revised its forecast for this year's growth from its original 7 per cent to between 8 and 9 per cent.

Some prices of blue chips, especially banks and cement issues, are now so high that the authorities are considering reducing the minimum number of these shares that can be traded in one lot to make them more affordable to small investors.

Meanwhile, finance and insurance companies continue to see the most speculative trading. Price earnings ratios for the whole market average about 14.5, with the average dividend yield at about 2.9 per cent.

Thailand
SET Index



ASIA

Nikkei ends lower after early rally

Tokyo

CONCERN over a possible hike in the West German official discount rate depressed investor enthusiasm in Tokyo yesterday, driving share prices lower for the first time in six sessions, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended down 203.43 at 28,139.03, after moving between a high of 28,390.38 and a low of 28,127.17. Volume shrank to 1.2bn shares from Friday's 1.9bn. Declines outnumbered advances by 523 to 391, with 152 issues unchanged.

The market got off to a firm *start in a continuation of the* record-breaking performance late last week. But speculation over a possible increase in the West German official discount rate sparked small-lot selling from midday onwards. Concern over precariously high prices also gathered momentum after three days of dramatic advances.

Steels and other large-capitalisation stocks saw brisk trading early on, but came under pressure later. Kawasaki Steel, though topping the active list with 117.5m shares traded, closed Y6 lower at Y576, after gaining Y8 briefly, while Nippon Steel, the third most active stock with 91.5m shares changing hands, rose Y3 to Y574 before profit-taking left it Y10 lower at Y561.

NKK, which advanced Y9 at one stage, finished Y5 lower at Y540. Mitsubishi Heavy Industries fell Y3 to Y836, but Sumitomo Chemical rose Y10 to Y1,150.

Some food stocks saw demand on soaring US grain prices. Nisshin Oil Mills added Y30 to Y1,060 and Nisshin Flour Milling Y80 to Y1,570, while Nippon Formula Feed scored a maximum allowable single-day gain of Y100 to Y908.

Trading houses were also *traded briskly on investor expec*tations that the ground-breaking Japan-US agreement reached on the liberalisation of the Japanese beef and citrus markets would help them increase their import volume.

Mitsui and Co, the seventh busiest issue with 38.4m shares traded, jumped Y16 to Y990 at one stage before finishing Y4 lower at Y970. Marubeni ended Y3 higher at Y681 after rising Y18 briefly.

Some speculative issues *attracted strong buying interest*, with Tokyo Steel climbing Y110 to Y4,020. Achilles jumped Y47 to Y700 and Kitagawa Iron Works was Y100 better at Y870.

Small-lot selling hit high-technology stocks, with NEC shedding Y40 to Y2,090, Matsushita Electric Industrial giving up Y30 to Y2,500 and NTT slipping by Y50,000 to Y2.43m.

Bond prices continued to decline, with sentiment hit by selling by some city banks. The 5.0 per cent government bond, maturing in December 1997, ended at 4.785 per cent, up from 4.740 per cent at the close on Friday.

On the Osaka Securities Exchange, prices closed slightly higher, although leading shares were out of *favour*.

The 250-issue OSE stock average closed 11.05 better at 28,114.61, on an estimated volume of 120m shares, down 53m from Friday.

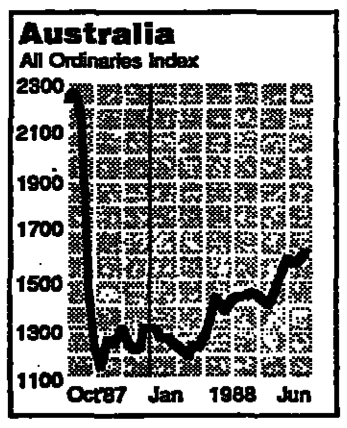
Among highlights, Kobe Cast Iron Works jumped Y100 to Y1,150 and Omikenshi put on Y80 to Y1,160, while Morita Fire Pump dropped back by Y80 to Y1,750.

Australia

RISING base metal and gold bullion prices boosted shares to a post-crash high, with the All Ordinaries index climbing 17.2 to 1,618.2.

Gold and resource stocks led *the way higher on strong over*seas demand, helped also by the firm Australian dollar.

Australia
All Ordinaries Index



Resource issue CRA added 42 cents, or 4.6 per cent, to A\$9.50, with Western Mining finding 24 cents to A\$6.40 on turnover of 3.1m shares.

MIM saw the heaviest trading, with 6.7m shares changing hands, and climbed by 6 cents to A\$2.09.

BHP Gold added 2 cents to 91 cents on turnover of 15.5m shares, leading to speculation that Mr Robert Holmes à Court was selling his stake in the company.

Blue chips were mixed, with Elders IXL adding 10 cents to A\$3.22 and TNT 6 cents to A\$4.56. Market leader BHP fell 4 cents to A\$8.48.

Singapore

LATE profit-taking trimmed the day's early gains and the Straits Times industrial index ended 4.07 better at 1,072.27, after a 7.06 gain at midday.

*Turnover rose in steady trad*ing to about 68m shares from Friday's 50m. Rises led falls by 151 to 48.

News of Wall Street's rise on Friday helped early sentiment, but the drop in Tokyo pushed prices back in later trading.

Plantation stocks attracted interest on the back of firm palm oil prices, and activity focused mainly on Malaysian speculative and low-priced stocks.

Amalgamated Steel Mills was the most actively traded issue, with 5.6m shares changing hands, made up largely by two block deals totalling 5m shares. In otherwise unexciting trading, Amalgamated shares lost 1 cent to S\$2.08.

In the plantation sector, Harri*sons rose 18 cents to* S\$4.58, KL-Kepong gained 14 cents to S\$3.86 and Consolidated Plantations added 17 cents to S\$3.14.

Elsewhere, Isetan finished 15 cents better at S\$6.40, Bukit Sembawang rose 20 cents to S\$5.50 and Magnum put on 16 cents to S\$2.38.

Hong Kong

DECLINES in Tokyo and the prospect of rising interest rates among Group of Seven nations eroded the firm sentiment noted in morning trading and the Hang Seng index ended just 1.04 better at 2,719.06.

Turnover was above average at HK\$1.75bn. *Blue chips were* active, with Cheung Kong, unchanged at HK\$7.95, topping the most active list with turnover worth HK\$57.9m, followed by Hongkong Bank with HK\$57.3m. Its shares fell 5 cents to HK\$6.30. Jardine Matheson rose 20 cents to HK\$13.30 and Swire Pacific 'A' added 10 cents to HK\$18.30.

Sing Tao resumed trading following chairman Ms Sally Aw's privatisation of its holding company. Sing Tao shares fell 15 cents to HK\$2.975.

New World Development lost 10 cents to HK\$11.90, after news of its purchase of one-third of ATV Ltd from parent ATV Holdings.

ATV was suspended from trading, in spite of challenging the decision with exchange officials, while rival HK-TVB saw its shares fall 30 cents to HK\$13.70.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 20 1988					FRIDAY JUNE 17 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	150.35	+2.3	124.91	121.72	3.68	146.92	122.17	120.10	150.35	91.16	135.00
Austria (16)	87.04	+0.1	72.32	79.36	2.58	86.99	72.33	79.25	98.18	84.35	85.76
Belgium (63)	122.19	−0.3	101.51	111.49	4.51	122.51	101.86	111.48	139.89	99.14	117.09
Canada (125)	125.87	−0.3	104.57	110.19	3.06	126.20	104.94	110.85	126.20	107.06	127.07
Denmark (39)	129.18	+0.3	107.33	117.46	2.47	128.80	107.10	116.93	132.72	111.42	119.61
Finland (25)	138.58	+0.2	115.14	120.87	1.74	138.25	114.96	120.38	139.53	106.78	–
France (127)	95.65	−0.3	79.47	88.97	3.65	95.93	79.77	88.94	99.62	72.77	105.74
West Germany (99)	75.61	−2.1	62.82	69.19	2.68	77.27	64.25	70.42	80.79	67.78	96.50
Hong Kong (46)	109.13	−0.1	90.67	109.33	4.19	109.20	90.80	109.39	109.20	84.90	124.37
Ireland (18)	138.72	−0.4	115.25	127.92	3.71	139.33	115.86	128.28	141.54	104.60	128.35
Italy (102)	72.41	+2.4	60.16	70.57	2.84	70.70	58.79	68.70	81.74	62.99	99.77
Japan (456)	172.72	−1.0	143.50	137.78	0.52	174.55	145.14	138.85	177.27	133.61	146.30
Malaysia (36)	149.17	+1.4	123.93	147.99	2.46	147.04	122.27	146.02	149.17	107.83	170.28
Mexico (14)	179.35	+4.0	149.01	449.06	1.11	172.51	143.45	430.05	179.35	90.07	268.91
Netherland (38)	105.01	−1.2	87.24	94.78	4.88	106.27	88.36	95.57	110.66	95.23	120.25
New Zealand (21)	83.55	−0.1	69.41	61.27	5.97	83.61	69.53	62.03	84.05	64.42	99.93
Norway (25)	123.39	+0.1	102.51	106.69	2.83	123.22	102.46	106.45	132.23	98.55	139.99
Singapore (26)	122.27	+0.0	101.58	114.30	2.20	122.29	101.69	114.23	123.33	97.99	143.04
South Africa (60)	130.76	+0.7	108.64	85.20	5.16	129.84	107.97	84.85	139.07	118.16	154.32
Spain (42)	159.95	−0.4	132.88	140.68	3.09	160.66	133.59	141.06	164.47	130.73	117.58
Sweden (35)	121.70	−0.5	101.11	109.81	2.60	122.37	101.75	110.19	125.50	96.92	113.26
Switzerland (55)	81.13	−0.5	67.40	73.56	2.32	81.51	67.78	73.63	86.75	75.60	98.66
United Kingdom (327)	136.76	−0.2	113.62	113.62	4.34	137.08	113.98	113.98	141.18	123.09	145.15
USA (578)	109.58	−0.7	91.04	109.58	3.58	110.33	91.74	110.33	111.69	99.19	126.68
Europe (1011)	108.47	−0.4	90.12	95.19	3.76	108.92	90.56	95.45	110.82	97.01	119.81
Pacific Basin (673)	169.30	−0.9	140.65	135.83	0.71	170.86	142.07	136.77	172.26	130.81	144.98
Euro–Pacific (1684)	144.97	−0.8	120.45	119.66	1.63	146.08	121.47	120.34	147.53	120.36	134.95
North America (703)	110.45	−0.7	91.76	109.63	3.54	111.18	92.44	110.38	112.43	99.78	126.70
Europe Ex. UK (684)	90.92	−0.6	75.54	83.67	3.24	91.43	76.03	83.87	92.99	80.27	104.08
Pacific Ex. Japan (217)	128.15	+1.3	106.47	111.42	3.86	126.44	105.14	110.63	128.15	87.51	129.00
World Ex. US (1883)	144.20	−0.7	119.80	119.12	1.71	145.26	120.78	119.78	146.49	120.26	134.96
World Ex. UK (2134)	130.25	−0.8	108.21	116.04	2.09	131.25	109.14	116.77	131.77	111.77	130.39
World Ex. So. Af. (2401)	130.81	−0.7	108.68	116.02	2.28	131.76	109.56	116.72	132.39	113.26	131.55
World Ex. Japan (2005)	110.71	−0.5	91.98	104.58	3.65	111.22	92.48	105.06	112.25	100.00	124.78
The World Index (2461)	130.82	−0.7	108.68	115.81	2.30	131.75	109.55	116.50	132.38	113.37	131.70

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).